Ontario

Ontario Budget 2001

RESPONSIBLE choices

Budget Speech

The Honourable James M. Flaherty
Minister of Finance

2001 Ontario Budget

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Responsible Choices

Presented to the
Members of the Legislative Assembly of Ontario by
The Honourable James M. Flaherty
Minister of Finance
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Responsible Choices

Mr. Speaker, the budget is balanced for the third year in a row.

It is the first time in nearly 100 years that an Ontario government has presented three consecutive balanced budgets. No other government has provided the people of Ontario with such certainty. No other government has made such responsible choices.

Mr. Speaker, it is responsible to cut taxes. We propose to continue to cut taxes this year.

It is responsible to pay down debt. I am pleased to announce that in the past fiscal year we reduced our debt by the largest amount ever in the history of the Province of Ontario—$3 billion.

It is responsible to demand value for taxpayers' money. We propose to introduce sweeping reforms to hold the entire public sector more accountable to taxpayers.

Mr. Speaker, we must act responsibly in order to guarantee the exceptional quality of life that the people of this province deserve.

Today we will build upon our government's action plan of 21 steps leading into the 21st century.

A plan based on fiscal responsibility, accountability and growth.

That plan is very important. It is both responsive and responsible. It speaks to the issues that people talk about at home with their families, at work with their colleagues and at social gatherings with their friends.

The initiatives that I am announcing in today's Budget stem from weeks of extensive consultations with my colleagues, business people, community organizations and other people from across Ontario.

People know that we have come a long way in Ontario since 1995. They know that they are better off. People have told us that they want to preserve and build on our successes. They understand that government needs to continue to act responsibly in order for this to happen.

The people of Ontario are asking us to think ahead and exercise discipline through strong leadership and prudent management of their money. They are asking us to focus on those things that matter to them the most.

This plan does that.

Every day, hard-working families across this great province make responsible decisions about their own budgets. They expect governments to do the same thing. Even when those decisions are difficult.

Mr. Speaker, government should not be afraid to venture into new territory. Government should embrace the innovation demonstrated by so many successful small businesses and look at new ways of doing things.

This plan does that.

What I am presenting to the people of Ontario today is a clear vision for the future.

There are many people who have helped in the process.

I would like to take a few moments to thank just a few of them.

Mr. Speaker, I thank our Premier, Mike Harris, for his support and unparalleled leadership. I deeply value his dedication to building on our strengths in Ontario.

I would also like to thank all of my caucus and cabinet colleagues for their input and advice over the past 12 weeks.

And especially my Parliamentary Assistants, Ernie Hardeman and John O'Toole, for dedicating so much of their time and efforts to our pre-Budget consultations.

I would also like to give special thanks to the very dedicated and talented staff at the Ministry of Finance. They are the people who worked tremendously long hours, sacrificing time with their families and friends to make this Budget a reality. I would especially like to acknowledge my Deputy Minister, Bob Christie, Assistant Deputy Minister, Gabriel Sékaly, my Chief of Staff,

Bronwen Evans and the rest of my staff for their hard work, patience and enthusiasm from the beginning of this process to the end.

Mr. Speaker, my wife, Christine Elliott, and our three children, John, Galen and Quinn, also deserve thanks for their understanding and support.

Finally, and most importantly, the people of Ontario who provided their ideas and advice through the process of the pre-Budget consultation. They deserve special thanks.

This Budget is really for them—for all the people in Ontario who can count on a better tomorrow because of the decisions we are making today.

Mr. Speaker, so that as many people as possible have access to the speech today, it is available on the Internet, through our Ministry of Finance Web site, at www.gov.on.ca/FIN.

Cutting Your Taxes

Under previous governments, the philosophy was to raise taxes—to spend more of people's hard-earned money. The size and scope of government grew. High taxes and big government crippled economic growth.

In 1995, the Mike Harris government changed that.

We said then and we continue to say clearly: Tax dollars belong to the people of Ontario, not the government.

The people of Ontario know that government can only "give" them what the government has taken away from them through taxes in the first place.

We believe that, given the opportunity, the hard-working people of this province will invest and spend their money in ways that will help the economy to grow. And they have.

Today, the people of Ontario have more money to spend and invest as they choose. And we are all reaping the benefits.

Mr. Speaker, since 1995, our economy has grown by almost 25 per cent.

The private-sector consensus is that our economy continues to grow this year at 2.3 per cent and growth is expected to accelerate to 3.6 per cent in 2002.

Every year for the past four years, we have matched or exceeded the consensus.

I am confident we will exceed it again.

This outstanding growth in our economy didn't happen by accident. We had a very deliberate plan. We had confidence in the people of this province, confidence in their entrepreneurial spirit and confidence in their desire to turn around the fortunes of this province.

Jobs and the Economy

- Ontario's economy grew by a total of 11.9 per cent in 1999 and 2000, the best two consecutive years of growth since the 1980s.
- Ontario created more than 550,000 new jobs in the years 1998 through 2000, the best pace of job growth in the province's history.
- The private-sector consensus for real GDP growth is 2.3 per cent in 2001 and 3.6 per cent in 2002.
- Job growth will continue in 2001 and accelerate in 2002.

The people of Ontario accepted our plan and accepted our challenge. And now the people of our province are sharing the dividends of this plan.

At the heart of the plan were tax cuts.

Tax cuts helped to make us leaders, and they will help to keep us leaders.

Ontario paved the way for tax cuts in this country. I am proud to say that every province in Canada is following our lead.

The Government of Nova Scotia is cutting taxes.

The Government of New Brunswick is cutting taxes.

The Government of Manitoba is cutting taxes.

The Government of Prince Edward Island is cutting taxes.

So too are Quebec, Newfoundland, Saskatchewan, Alberta and British Columbia.

Mr. Speaker, even the federal government is cutting taxes.

Finally, the federal government is recognizing that the Ontario example works.

On February 18, 1999, the federal Finance Minister, Paul Martin, said this in the House of Commons: “Overwhelmingly, the best thing one can do for low-income families is to make sure that they either pay very low taxes or no taxes at all.”

Mr. Speaker, in Ontario, we’ve told 660,000 lower-income earners that we don’t want their income tax money. With the changes proposed in this Budget, an additional 75,000 people would pay no Ontario income tax. We believe they should keep that money for themselves and their families.

Yet these same 735,000 lower-income earners would continue to pay income tax to the federal government.

Think about how much better off these families would be if they didn’t pay any income tax at all.

We challenge the federal government to match Ontario’s income tax cuts for the lowest-income earners of this province and this country. It is the responsible thing to do.

Mr. Speaker, I am pleased to announce today another promise kept to the taxpayers of Ontario. We propose to complete our 20 per cent personal income tax cut promised in 1999. Ninety-five per cent of taxpayers—virtually everyone earning less than $100,000 a year—would see a cut of at least 20 per cent.

Our tax cuts since 1995 mean that a family of four—two working parents and two children—with an income of $60,000 would pay $2,345 less in Ontario personal income tax. That is money to spend on a new computer, almost four months of groceries or a year's tuition at a community college—money to spend as they choose.

Our government has returned money to all taxpayers in this province. People at the lower end of the income scale have seen the biggest percentage cuts. We are proud of the steps we have taken over the years to return money to people with lower incomes.

Mr. Speaker, it is time now to look more closely at how much tax middle-class families in Ontario pay.

It is time to begin eliminating the personal income surtax—a tax that hits Ontario taxpayers with incomes that start at $54,000. People at this income level are by no means rich. This tax is an unnecessary burden on thousands of middle-class families.

We are proposing to eliminate this surtax burden for more than 340,000 people. And that is just the first step.

I suspect our critics will once again question whether middle-class families deserve such a tax cut. They will ask us today the same question they asked in 1995—Is now the right time to cut taxes? They will ask: Can we afford to cut taxes?

I ask them this: Can we afford not to cut taxes?

Since we started cutting taxes, our tax revenues have increased by more than $15 billion.

Since we started cutting taxes, our businesses have created more than 822,000 jobs. That's enough jobs to employ the combined populations of Hamilton, Kitchener, Windsor and Sudbury.

Since we started cutting taxes, business investment in this province has increased by 66 per cent.

Our economy is better for it.

Our people are better for it.

Building Growth

Mr. Speaker, our tax cuts benefit the people of Ontario. No matter what part of the province they live in. No matter how much money they make. No matter what they do for a living.

They notice our personal income tax cuts in their pay stubs and when they fill out an income tax return.

They see the evidence of our tax cuts when the companies they work for expand or hire additional staff or launch a new division.

Mr. Speaker, millions of people in Ontario rely on businesses—small and large—for their livelihood. I believe the first priority of every business in Ontario should be paying wages, not paying taxes.

That is why I am pleased to announce today *Ontario's Edge*.

It is a package of initiatives aimed at keeping the businesses of this province strong and encouraging new businesses to set up shop here. Enhancing our quality of life is central to the plan's success.

The concept is simple.

It is designed to help us achieve our goal that, within 10 years, Ontario will enjoy the best-performing economy and the highest quality of life in North America.

Mr. Speaker, there are four key components to *Ontario's Edge*.

The significant corporate income tax cuts announced in last year's Budget are the first component.

Mr. Speaker, I am announcing today that we will table legislation to implement the full schedule for our corporate income tax cuts each year between now and 2005.

By 2005, Ontario would have a lower combined corporate income tax rate than any of the 50 U.S. states. No Canadian province would have a lower general corporate income tax rate.

This move alone would make Ontario a prime destination in North America to do business.

Businesses in Ontario have told us that they need to know our schedule for cutting their taxes, so they can plan ahead. So they can know how much extra money they will have each year in order to expand their businesses or hire more people. That is why we want to give them certainty. We know from experience that they will respond positively.

The second component of *Ontario's Edge* is to begin to eliminate the job-killing capital tax.

Thousands of businesses across Ontario, in every sector, must pay capital tax whether they make money or not. That means capital tax claws back money that should be used to keep employees on the payroll.

Our Business Tax Review Panel told us this tax deters foreign companies from investing here. They told us it is a cost of doing business that almost no other country imposes.

I would like to thank the members of the Business Tax Review Panel and especially its Chair, D'Arcy Delamere, for all of their hard work.

Mr. Speaker, I am pleased to announce today that we propose to follow their recommendation and take the first step towards eliminating the capital tax.

This year I will introduce legislation to give a break to all businesses that pay capital tax by raising the threshold at which it becomes payable. The first $5 million in capital would be tax free.

This step would relieve more than 11,000 small and medium-sized businesses in Ontario of the burden of capital tax and directly support the creation of jobs. It would create more opportunities for our businesses and our economy to grow.

Mr. Speaker, the third component of *Ontario's Edge* is to undertake a thorough review of tax incentives.

The Business Tax Review Panel told us these incentives can make the tax system too complex.

We want to ensure that our tax incentives are effective, useful and relevant. We also believe that tax incentives for certain activities should not be a substitute for low tax rates across the board.

These first three components of *Ontario's Edge* are intended to build on Ontario's tax competitiveness.

LOWER TAXES FOR PEOPLE AND BUSINESSES

- We propose to cut the lowest personal income tax rate to 5.65 per cent over the next two years, and the middle rate to 8.85 per cent.
- The surtax threshold would be raised January 1, 2003, so that no one earning less than $70,000 would pay surtax; one-third of surtax payers—more than 340,000 people—would be relieved of this burden.
- Every taxpayer would see a benefit, with the largest percentage reductions concentrated on taxpayers with lower and middle incomes.
- 95 per cent of taxpayers—and virtually everyone earning less than $100,000 a year—would see a cut of at least 20 per cent.
- This would exceed our 1999 promise to deliver a 20 per cent, $4 billion tax cut to people in Ontario.
- We propose to legislate the remaining steps to reduce the corporate income tax rate to eight per cent by 2005. The small business tax rate will be four per cent by 2005.
- We propose to eliminate the capital tax on the first $5 million of taxable capital.
- Tax cuts since 1995 would provide more than $16 billion in benefits to people and businesses in Ontario when fully implemented.

As announced in the Throne Speech, an independent task force will monitor Ontario's productivity and compare it with our competitors. Roger Martin, Dean of the Joseph L. Rotman School of Management at the University of Toronto, will lead the task force measuring our progress.

Mr. Speaker, there is one more aspect to *Ontario's Edge.*

The fourth component is to build on the quality of life we hold so dear in Ontario.

When businesses come here, they bring more than employees—they bring families who make this province their home.

As a result, our communities are expanding.

There are more cars on our roads and more congestion on our highways.

Mr. Speaker, today I am announcing a way to address the gridlock that is threatening to compromise the quality of life in our urban areas in Ontario.

It is important that we solve this problem.

Allow me to tell you a story I heard on a recent visit to Kanata.

I met a Canadian high-tech entrepreneur who recently moved his family and his business back to the Ottawa area from San Jose, California. Quite simply, he left because he was tired of fighting traffic—tired of spending more time in his car on the freeway than at home with his family.

He said Ontario offered him a better way of life. And it does.

He also said our taxes in Ontario are now competitive.

Mr. Speaker, in order to keep people like this man and his family in Ontario we must address the gridlock on our roads.

That's why I am announcing today that we will focus the remaining $500 million of our $1 billion SuperBuild Millennium Partnerships initiative on transportation and environmental initiatives.

We challenge our partners in the private sector and the municipal and federal levels of government to join us and invest in this important initiative.

Since 1995, our government has invested more than $5 billion in the province's highway system. Our commitment is ongoing. We are determining how best to expand and manage our highways. As part of this exercise, SuperBuild will examine opportunities for the private sector to contribute to our highway system.

In fact, tomorrow morning SuperBuild will begin the process of calling on the private sector to complete Highway 407 East to Highways 35 and 115.

Investing in transportation will take some of the pressure off our highways in Ottawa, Toronto and several of our other largest cities and growing regions.

We want to ensure that the high-tech entrepreneur in Kanata and all commuters, whether they're from Orangeville, Clarington or Richmond Hill, have access to a seamless system of transportation and an excellent quality of life.

It is clear that Ontario has an edge over most other jurisdictions in North America when it comes to quality of life.

SuperBuild and Smart Growth

- We will address the gridlock in the Greater Toronto Area and surrounding regions with a $250 million SuperBuild investment in inter-regional transit expansion.
- We are also investing $250 million in strategic infrastructure, including transportation and environmental projects, to support Smart Growth in Ottawa, Hamilton, Windsor, London, Sudbury, Thunder Bay, Waterloo Region and Niagara Region. The City of Ottawa will be receiving $70 million of this funding.
- We are making a $500 million SuperBuild investment to revitalize the Toronto Waterfront to strengthen the city's international competitiveness and create jobs and neighbourhoods in its downtown.
- We are investing $906 million in provincial highways this year, including $290 million for northern Ontario, and planning the strategic transportation corridors of tomorrow. The government will examine public-private partnerships to finance, build and operate highways, including tolling options.

- We are assessing strategic transportation corridors including an east-west route in the northern part of the GTA, extensions of Highways 427 and 404 and a Bradford bypass, a new mid-peninsula Niagara corridor, expansion of the Windsor-Detroit gateway and an Ottawa Ring Road.
- We are investing $240 million for Round 1 of Ontario Small Towns And Rural (OSTAR) to ensure that Ontario communities have clean water and safe bridges, and we are developing a long-term water and sewer infrastructure investment and financing strategy through SuperBuild.
- We are investing $300 million over five years in SuperBuild's Sports, Culture and Tourism Partnerships initiative to rebuild and enhance sports, cultural, recreation and tourism facilities in communities across the province.

Clean air and water are important aspects of our quality of life in Ontario.

Mr. Speaker, I am pleased to announce we are increasing our investment in the environment.

We will provide $25 million more this year to ensure that our drinking water is safe and our air is clean. This means that we have increased operating funding to the Ministry of the Environment by 51 per cent since 1997-98.

We will also continue our commitment to the Natural Areas Protection Program, which protects the beauty of the Bruce Trail, the Rouge Valley, the Lynde Marsh and the Niagara Escarpment. We will contribute $5 million this year.

Thriving arts and culture are also important aspects of our quality of life. We are devoting more than $90 million to arts and culture. This year, we are doubling our funding to the Arts Endowment Fund, from $5 million to $10 million.

Clean air, good schools, efficient transportation, quality hospitals and low taxes are all part of creating a healthy and competitive

business environment in Ontario. When our businesses are successful, so too are the people who work for them.

The evidence is all around us. It is in the young family buying their first home. It is in the new graduate getting a meaningful job. It is in all the opportunities people in Ontario have today that they did not have before 1995.

Value for Money

Mr. Speaker, we want the people of Ontario to continue to have the kinds of opportunities they enjoy today. We want an economy that creates the jobs they need. We also want to guarantee them continued access to good schools, caring doctors and nurses, and well-run hospitals—to the public services they value the most.

People told us that health care is their top spending priority. We listened and we responded. We have invested as no other government before in this vital area. This year alone we are increasing health operating spending by $1.2 billion or 5.4 per cent. This is comparable to the average increase of 5.3 per cent in all other provinces, excluding Alberta.

Mr. Speaker, we have kept our promise on health care spending. We have increased our investment in health care by almost $6 billion since we came to office. The federal government, on the other hand, is providing *less* to health care in Ontario today than it did back then. Incredible as it may seem, Ontario has been paying 100 per cent of the increase in health care costs with no help from Ottawa.

Instead, the federal government is poised to show a surplus of nearly $20 billion for 2000-01. Surely the federal government could invest some of this money in health care.

Mr. Speaker, we have exceeded our Blueprint commitment on health care spending. And we will continue to invest in health care to meet the needs of the province as our population grows and people age.

In 1995-96, 38 cents of every dollar that we spent on programs went to health care. This year it will be 45 cents.

Today we are spending $745 per second on health care—$745 each and every second in the province of Ontario. In one minute, that adds up to nearly $45,000—more than some families earn in one year. In the time it takes to deliver this speech, we will have spent more than $2 million on health care.

Sir John A. Macdonald was fond of reminding his colleagues to "Look a little ahead..." When we look ahead five short years, we could see health care consuming 60 cents of every dollar we spend on programs.

We cannot continue to increase our spending on health care at this rate. It is simply not sustainable.

The Fyke Commission on medicare in Saskatchewan put it bluntly: "Poor organization, weak accountability, and especially the lack of quality and fairness—not money—are the main shortcomings of the health care system."

Ontario is not alone in this dilemma.

There is not a single province in Canada that isn't faced with spiralling health care costs.

The facts speak for themselves. What we need now is leadership.

The Ontario government believes that fundamental reform is necessary to save Canada's health care system. Reform on two fronts. The first is the way the federal government funds health care. I call upon the federal government to provide its fair share—50 per cent of all health care funding increases.

The second is to make the system work better.

We must act now. And we must act together. Mr. Speaker, this is a discussion that must move beyond the walls of the Ontario Legislature.

That is why I am calling on all members of the Legislature to take this debate into their communities—directly to the people of Ontario.

Members of our caucus will meet with their constituents. They will gather ideas. We want to have an open and honest dialogue with people about the future of health care.

At the same time, we will ask our partners in the health care system—doctors, nurses, patients and administrators—to help us identify the best ways to deliver quality health care.

We must take a common-sense approach to health care. We must be responsible and look at all options to help us get to our goal—reliable, high-quality health care.

We encourage the federal government to take this issue seriously and act on it quickly.

Mr. Speaker, the people of this province and this country cannot wait 18 months for Mr. Romanow to deliver his report.

It may be that the federal government does not feel the same urgency that we do.

When your financial stake in the debate is less than 14 cents on the dollar, it may be easier to procrastinate.

Wasting time does not serve the people who depend on our health care system. People need to know that when their child is sick, he or she will see a doctor. When their elderly mother breaks a hip, she will get the care she needs. When they need an annual checkup, they will get one.

Mr. Speaker, one of the first steps in health care reform is accountability.

The people of Ontario have a right to know that they are getting value for the money they invest in health care. That not a penny is misspent.

That is the responsible thing to do.

We intend to introduce legislation that will require hospitals to balance their budgets each year.

We will showcase the achievements of the most efficient hospitals.

For too long in this province we have rewarded poor performance by funding hospital deficits each year. There is no incentive to achieve better results. That is why we intend to encourage all hospitals to strive for excellence and efficiency.

We must be accountable for every dollar of taxpayer money that we spend—whether it goes to a hospital, a doctor, a community care access centre, or any other health care provider.

Last year, of every dollar that we spent on programs and capital, more than 80 cents went to individuals and organizations in the broader public sector.

Mr. Speaker, that is why hospitals, school boards, municipalities, social service agencies, colleges and universities must be accountable to the taxpayers of Ontario for the money that they spend.

This need for more accountability in the entire public sector was expressed to me by the Ontario Financial Review Commission. I would like to thank the members of the Commission and its Chair, Robert Lord, for all of their hard work.

Our government has set the bar on accountability. We made it against the law in Ontario for a government to run a deficit, forcing future governments to employ the same fiscal prudence that we have. Cabinet Ministers face a real penalty for failure: a cut in their salary.

Today I want to raise that bar.

Mr. Speaker, we are proposing to introduce a new Public Sector Accountability Act.

It would require all major organizations that receive taxpayer dollars from our government to balance their budgets each year. That is accountability to the taxpayers who fund them.

Today's debt payment: tomorrow's tax cut

- As a result of prudent management, our budget surplus in the fiscal year just ended allowed us to reduce net provincial debt by a record $3 billion.
- After only two years, we have achieved 80 per cent of our promised $5 billion reduction in net provincial debt during our current term of office.
- Net provincial debt is projected to drop by a further $2 billion over the next two fiscal years if the annual reserve is not needed, exceeding the $5 billion target.
- We are committed to using future budget surpluses for debt reduction, as well as the annual $1 billion reserve, if not needed.
- Provincial Public Debt Interest is forecast to decline by almost $90 million from last year.
- The government's balanced budget achievements and commitment to debt reduction contributed to a credit-rating upgrade from Standard and Poor's and an upwardly revised outlook from Moody's Investors Service.
- The government has a long-term plan in place to meet the obligations of the Ontario Electricity Financial Corporation by between 2010 and 2017.

But accountability does not end when the books are balanced. True accountability goes far beyond the numbers.

Public-sector organizations would have to issue plans to show what their objectives are and track their progress against those plans.

They would identify and demonstrate areas where they excel and cite areas where there is a need for improvement. They would report on their progress in finding new ways of delivering services. They would look for areas where the private sector could do a better job. And they would report on their efforts to find ongoing efficiencies.

We challenge them to show courage. To focus on services that are the most valuable to the people of Ontario. To eliminate programs that are outdated and that no longer serve their original purpose.

We will call on experts in the private sector to form a panel to review the role of government in the 21st century. This panel will start a public discussion on where government does and does not belong.

Mr. Speaker, we will be undertaking a value-for-money review of all government spending. It will rely on private-sector expertise in carrying out its work. This review will answer common-sense questions when assessing any government program or service. Is the service meeting its original objectives? How important is the service? Who should be delivering it?

This value-for-money review will direct us to wasteful activities that could be eliminated.

It will generate savings to invest in our highest priorities.

Accountability

- We will be undertaking a value-for-money review of government services and activities to ensure that they are delivered in the most cost-effective manner possible. This review will draw upon private-sector expertise.
- We propose to introduce a Public Sector Accountability Act that would require that all significant public-sector organizations report annually on their performance, present annual business plans and balance their budgets every year.
- We propose to rename the Ontario Property Assessment Corporation to more accurately reflect its nature, as the Municipal Property Assessment Corporation; we also propose to revise its governance structure; and to ensure long-term stability we propose to eliminate the potential for municipalities to opt out of the corporation.

Mr. Speaker, in order to launch this process, I am pleased to announce today that the Province is getting out of the banking business.

We are seeking a buyer for the Province of Ontario Savings Office. It is clear the private sector has more expertise than we do when it comes to running a bank.

The recent lease of the Bruce Nuclear facility is another example of providing value for money to Ontario's taxpayers.

Simply put, there was a need for investment at the Bruce Nuclear facility to improve its performance without jeopardizing safety.

Bruce Power, a private-sector consortium, answered our call, leasing the facility from Ontario Power Generation.

This is the kind of cost-effective solution that leads to greater value for electricity customers and taxpayers alike.

Bruce Power's success encourages us to seek other avenues of private-sector expertise. Other ways to increase value to customers and taxpayers.

Mr. Speaker, I believe that no other jurisdiction in North America is so actively pursuing value for taxpayers' money.

We owe this to the people of Ontario.

Helping the Most Vulnerable

Mr. Speaker, it is a priority for this government to care for the most vulnerable people in our society.

People who are unable to work because of disability or disease. People who are at risk of violence.

Supporting our most vulnerable people is, perhaps, the most responsible thing we can do.

It is our duty as a government.

Aging parents of adult children with developmental disabilities should not have to worry about where their children will live when they are gone, or who will provide for them when they no longer can.

Mr. Speaker, I am confident that every member of this House has encountered families in this very difficult situation.

We can only begin to understand the challenges they face.

That is why I am announcing that we will invest $67 million over five years to construct new facilities for adults with developmental disabilities. In addition, we will provide $55 million this year, growing to nearly $200 million by 2006-07, to enhance services for people with developmental disabilities and attract more quality caregivers.

We recognize that these dedicated workers deserve our support.

I would like to thank the Ontario Association for Community Living for its advice in determining the best means of supporting adults with developmental disabilities.

Mr. Speaker, children with severe disabilities have the same right to live with dignity and comfort as do other children. The province's network of Children's Treatment Centres is often an essential support in these children's lives.

They provide a wide range of valuable services to children with cerebral palsy, spina bifida, autism, brain injuries and developmental learning disabilities.

It is the responsibility of government and our society at large to provide as much as we can for these children. That is why I am announcing a $20 million annual increase in funding for Children's Treatment Centres.

Helping the Most Vulnerable

- We will provide $55 million in 2001-02, growing to $197 million annually, to enhance services and supports for people with developmental disabilities; we will also invest $67 million over five years to build new places for them to live within the community.
- We will provide $26 million over the next four years to improve the safety and security of abused women and their children in crisis by adding 300 beds in shelters and refurbishing another 100; we will also provide $3 million this year, growing to $9 million annually, for counselling, telephone crisis services and other supports.
- Recognizing innovative approaches to meeting needs, Children's Treatment Centres will receive an additional $20 million annually.
- We are providing an additional $3 million this year and $4 million annually in future years to expand education supports for children and youth in institutions and facilities, such as hospitals, children's mental health centres and correctional facilities.
- We will invest $26 million over three years to upgrade, renovate and build or purchase new facilities for community mental health organizations.
- Children's Aid Societies will receive an additional $8 million annually to protect children from abuse and neglect.
- We will spend $15 million annually to break the cycle of youth prostitution and punish those who exploit young people.

Safe communities

- We will invest $6 million annually for police and dedicated Crown attorneys to enhance the comprehensive, multi-pronged approach to combat organized crime.
- An additional $2 million annually will go to the electronic monitoring of adult offenders who are serving their sentences in our communities.
- We are providing $3 million annually to extend Project Turnaround for another two years.
- $1 million annually will be used to double the number of Youth Justice Committees from 18 to 36.

Mr. Speaker, today in Ontario, no woman or child should have to tolerate domestic violence or live in fear of an abusive family member. That is why I am announcing that we will spend $26 million over the next four years to create 300 new beds in shelters across the province. We will also provide $9 million annually for counselling and other support.

This Budget also includes other measures to ensure the safety of people and communities.

For example, we will double the number of Youth Justice Committees from 18 to 36.

In these committees, non-violent young offenders face probing examinations of what they did, why they did it, how it affects the community and how that young offender can make up for it.

Intervening in the lives of non-violent young offenders and holding them accountable for their actions in a meaningful way is one of the most important things we can do for these young people. Active intervention by the community actually makes a difference in the lives of young people.

All of us benefit if we can prevent them from graduating to more serious crimes.

Mr. Speaker, it is up to government to ensure vulnerable people in our society have our support.

That is what we are doing. We believe that is the role of a responsible government.

Investing in Our Young People

Mr. Speaker, building growth in our economy requires an investment in our people. Our young people are perhaps our biggest resource.

This government has invested strongly in the well-being of children and young people—from the moment they take their first steps to the day they start their first job.

A foundation of our approach is to invest in programs that reach children in their earliest years, when finding and fixing problems does the most good.

I am very pleased today to announce that we will increase our investment in early years programs by $114 million this year, growing to $193 million.

This action builds on a solid base of programs that support families and help children before they enter school. These programs reach children early to ensure healthier growth later. A key new initiative will be a system of local Early Years Centres throughout the province for children and their parents.

Mr. Speaker, our Throne Speech set out a vision for education in this province—a vision of high standards for students and more choice for parents.

Excellence and investment in our public education system pay dividends in the future.

Since 1995, we have increased education spending from $12.9 billion to almost $14 billion, which is more than required to meet enrolment growth.

I am pleased to announce today that our allocation for the publicly funded school system will increase by $360 million this year.

This funding will ensure that students—whether they go to a public, Catholic or francophone school—have the tools they need to succeed.

We are firmly committed to a quality publicly funded education system. We will continue to make new investments in the publicly funded education system to improve the quality of education in Ontario.

Mr. Speaker, for years we've heard from parents who want their children educated in their own culture and religion.

Some parents feel the only way to do that is to send them to an independent school.

For many, the cost is prohibitive.

Mr. Speaker, while we continue to provide increased funding to our public education system, we believe it is now time to address the concerns of these parents.

Over the next five years, we propose to phase in a partial tax credit for parents of children at independent schools.

With this measure, Ontario would join other provinces in supporting educational choice.

Mr. Speaker, I often tell young people that the best investment they can make is in their education. As a government, we believe it is one of the best investments we can make for the future of this province.

That is why I am pleased to announce one of the largest investments ever made in Ontario's post-secondary education system.

In the fall of 2003, a record number of new university and college students will arrive on campus. There are three reasons for that.

First, more young people are pursuing higher education than in the past. Second, the baby-boom echo will cause those numbers to swell. And third, all Grade 12 and OAC students graduate together for the first time.

These are landmark events in our education system. They demand a landmark response.

Today, I am pleased to announce that we are providing certainty to each and every one of these students—and their parents—that there will be a place for them at an Ontario college or university.

Through our SuperBuild Corporation, we have already committed to construct 73,000 new student spaces.

Mr. Speaker, today I am announcing the next step. We will increase our support for colleges and universities by a projected $293 million by 2003-04.

Government is planning ahead so that colleges and universities can plan ahead, with a clear funding framework in place.

We are taking the extraordinary step of committing today to the level of funding we will provide to post-secondary institutions over the next three years.

We are providing them with the certainty they need to be able to plan for 2003.

A PLACE FOR EVERY STUDENT

- We are committing funding for colleges and universities that will reflect the number of students entering the post-secondary system.

- An increase in operating grants to colleges and universities of an estimated $293 million by 2003-04 will address anticipated enrolment increases resulting from secondary school reform, demographic factors and a rising participation rate.

- We have provided more than $1 billion through SuperBuild to expand and modernize post-secondary facilities, creating 73,000 new spaces for students; through arrangements with partners, a total of $1.8 billion will be invested, the largest capital investment in post-secondary education in 30 years.

- We have allocated $100 million to address the maintenance costs incurred at colleges and universities.

- We have invested $60 million to start up an innovative post-secondary institution, the Ontario Institute of Technology.

- We will help Ontario universities to compete better globally in attracting and keeping world-class senior researchers by each year awarding two Premier's Platinum Awards for research excellence.

SHARPENING OUR SKILLS

- We are providing $50 million over five years for up-to-date equipment and facilities in colleges for apprenticeship programs.

- $33 million will be invested by 2004-05 to double the number of entrants to apprenticeship programs in the skilled trades.

- We will provide $12 million over three years to help foreign-trained professionals, including engineering technicians, nurses, other health care workers and teachers, employ their skills more quickly in Ontario.

- The Access to Opportunities Program (ATOP) will create 23,000 new spaces in computer science and high-demand engineering programs in colleges and universities.

Mr. Speaker, preparing for the influx of post-secondary students we are expecting in the coming years isn't just about money.

We must continue to find creative ways to educate our young people.

To prepare them for the working world beyond college and university.

To pinpoint the skills they need to get a job and provide courses that teach those skills.

Mr. Speaker, I am pleased to announce an exciting new venture in post-secondary education.

We have invested $60 million in the Ontario Institute of Technology (OIT)—a new university to be located on the campus of Durham College.

The OIT will focus on providing students with a seamless transition among college and university programs.

It will provide one-stop shopping for students looking for a mix of academic and hands-on experience.

A Plan for the Future

Mr. Speaker, the responsible choices we make today guarantee tomorrow's prosperity. There is no question there are challenges ahead. There is no question we are the government to tackle those challenges.

Our plan is a solid one: cut taxes for growth, spend accountably, spend responsibly. Our plan is common sense.

Our plan does not end with this Budget.

We must not be complacent.

We must continue to be responsive to the needs of the people of this province.

We must continue to make responsible choices on their behalf.

We must continue to focus on our pledge to make Ontario the best place to live, work and raise a family in the 21st century.

Thank you, Mr. Speaker.

A Plan for the Future

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Ontario

Ontario Budget 2001

RESPONSIBLE choices

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The Honourable James M. Flaherty
Minister of Finance

Ontario

2001 Ontario Budget

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Presented to the
Members of the Legislative Assembly of Ontario by
The Honourable James M. Flaherty
Minister of Finance
May 9, 2001

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Growth Continues: Ontario's Economic & Revenue Outlook

Overview

Ontario's economy is forecast to post real growth of 2.2 per cent in 2001. This follows four straight years of robust growth that averaged more than 5.0 per cent annually. The tax cuts and other policies implemented by the Ontario Government have contributed to this growth and are now helping the economy remain healthy despite the current weakening of the U.S. market.

In June 1999, the U.S. Federal Reserve Board began to raise interest rates in order to cool demand and prevent inflationary pressures from emerging. The Federal Reserve Board raised interest rates by 175 basis points between June 1999 and May 2000.

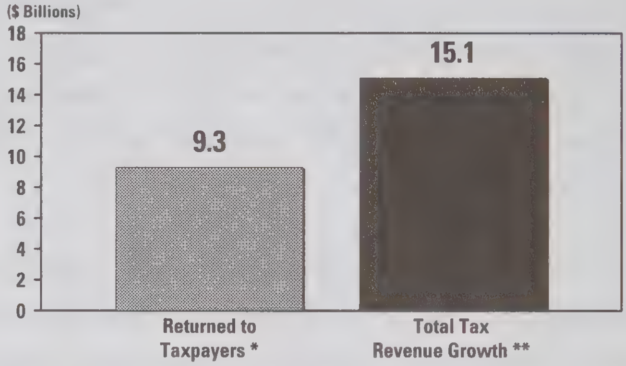
By the second half of 2000, growth in the United States had slowed. Markets for the products of some key Ontario industries, such as autos and telecommunication equipment, had softened. In Ontario, many export-oriented businesses responded with rapid adjustments that in some cases meant eliminating overtime or imposing temporary layoffs.

Underlying resiliency in the Ontario economy is cushioning the effect of the U.S. slowdown. While particular industries have been hit by the slowdown in external demand, other key domestic sectors such as construction, and wholesale and retail trade have continued to grow.

Tax cuts and lower interest rates have set the stage for an upturn in the North American economy. Most private-sector forecasters expect strong growth to resume in the second half of 2001. Ontario's dynamic, competitive economy is well positioned to lead growth in the period ahead, as it has over the past four years.

Ontario's economic growth has generated strong growth in tax revenues. Since Ontario began to cut tax rates, total tax revenue has increased by over $15 billion. Revenue is projected to decline in 2001-02, owing to one-time revenues included in 2000-01. Excluding these one-time revenues, total revenue grows by over $350 million in 2001-02. With a solid foundation in place for Ontario's long-term economic growth, revenues are projected to resume strong growth in 2002-03.

Ontario's Tax Cuts and Tax Revenue Growth



* 2000-01 Annualized value of provincial tax cuts since 1995.
**Increase in annual provincial tax revenue since Ontario tax-cutting began and 2000-01.

Ontario Economic Assumptions and Revenue Outlook at a Glance
(Annual Average)

	1999	2000	2001	2002
Real GDP Growth (per cent)	6.1	5.5	2.2	3.5
Employment (thousands)	5,688	5,872	Up to 6,019	Up to 6,200
Unemployment Rate (per cent)	6.3	5.7	5.5 - 6.0	5.5 - 6.0
CPI Inflation (per cent)	1.9	2.9	2.8	2.0
Provincial Revenue ($ billions)	62.9	64.9	64.3	65.5
Provincial Revenue Excluding One-time Tax Revenue in 2000-01*	***62.9***	***63.9***	***64.3***	***65.5***

* Excludes one-time Personal Income Tax revenue of $764 million and Corporations Tax revenue of $250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenue for 1999-2000 than reported in the 1999-2000 Public Accounts.

Sources: Statistics Canada and Ontario Ministry of Finance. Revenues are on a fiscal-year basis.

- Growth in consumer spending and residential investment will be supported by substantial income tax cuts and lower interest rates.

- Business tax cuts that reinforce Ontario's competitive position will strengthen business investment over the medium term.

- Although Ontario's export and import growth has slowed markedly, reflecting slower growth in the United States and the rest of Canada in the second half of last year, trade volumes are expected to strengthen in the second half of 2001.

Economic Growth Continues

The Ontario economy grew faster last year than anticipated at the time of the 2000 Budget. Ontario's real Gross Domestic Product (GDP) grew by 5.5 per cent in 2000, significantly higher than the Budget assumption of 4.6 per cent. Ontario's 2000 growth surpassed that of the rest of Canada, the United States and all of the other G-7 major industrial countries.

Ontario's real GDP growth is projected to slow to 2.2 per cent in 2001. Significantly slower U.S. growth and associated inventory and production cuts in the auto and telecommunication sectors are causing Ontario's growth to moderate in the first half of 2001. The economy is expected to gain strength later this year as lower interest rates and tax cuts stimulate stronger household spending, inventories return to normal levels and stronger U.S. growth boosts demand for Ontario's exports. The expansion is expected to continue in 2002, with real output advancing by 3.5 per cent.

In keeping with Ontario's policy of prudent forecasting, these projections are below the current private-sector consensus. As in previous budgets, a $1 billion reserve has also been included in the 2001-02 fiscal plan to protect against unexpected adverse changes in the economic and fiscal outlook.

Economic Growth Assumptions
(Per Cent)

	2001	2002
Ontario Real GDP Growth		
Private-sector survey average	2.3	3.6
Ontario's Planning Projection	2.2	3.5

Note: The private-sector average is based on nine recent forecasts.
Sources: Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (April 2001).

Solid Foundation for Economic Growth

The measures taken by the Ontario Government since 1995 have laid a solid foundation for economic growth. Cutting taxes, balancing the budget, eliminating red tape, renewing infrastructure, removing barriers to growth and strengthening incentives to work and invest are spurring a healthy economy and a rising standard of living.

These policies have also made the Ontario economy better able to weather the periodic slowdowns that inevitably beset world markets.

Ontario's manufacturers are much more competitive relative to their American counterparts than in the early 1990s. Ontario manufacturing unit labour costs, expressed in U.S. dollars, have declined relative to costs in the United States by about 20 per cent over the last decade. Strong productivity growth and cost control have been important sources of Ontario's enhanced competitiveness.

In addition, the fiscal position of governments in both Canada and the United States has improved sharply. This has enabled governments to continue to lower taxes and made consumers and businesses confident that they will not face tax increases in the future.

Personal income tax cuts and strong job gains mean that more people in Ontario are working and earning more disposable income. Combined with lower interest rates, this has strengthened family finances and contributed to robust household spending.

Businesses too have improved their balance sheets through the 1990s. Corporate debt-to-equity ratios have declined significantly. With less debt, companies have greater flexibility to manage cyclical weakness in demand for their products and to finance investment and innovation.

Inflation is much lower today than 10 years ago, another positive factor for the economy. In Ontario, Canada and the United States, inflation rates are about half what they were in 1990. While energy price increases pushed up inflation rates last year, forecasters expect inflation to trend lower. As well, the slowdown in the U.S. economy has reduced the inflationary risk facing the United States.

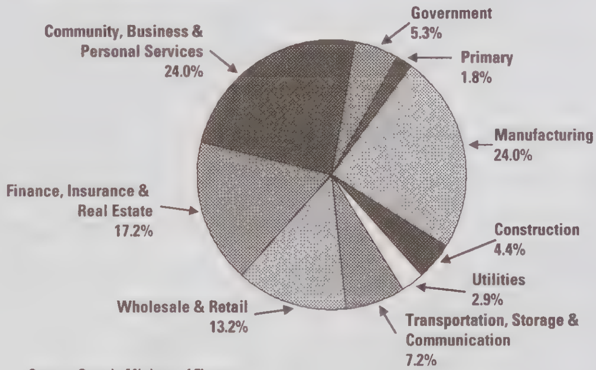
♦ Core CPI inflation in Canada has fallen from over five per cent in the early 1990s to 1.5 per cent in the last two years.

The benign inflation outlook makes it much easier for monetary authorities in both Canada and the United States to respond to slower growth. The 200-basis-point reduction in the federal funds rate by the United States Federal Reserve Board so far this year and the 100-basis-point decline in the bank rate by the Bank of Canada are expected to boost the pace of economic growth.

Growth since 1995 has been spread across a wide spectrum of industries. The year 2000, for example, saw non-auto manufacturing industries grow by 6.9 per cent; wholesale and retail trade by 6.6 per cent; construction by 3.4 per cent; community, business and personal services by 4.8 per cent, and the high-tech sector by 23.6 per cent.

Structure of the Ontario Economy 2000

(Per Cent Share of GDP)



Source: Ontario Ministry of Finance.

Faster Growth in Second Half of 2001

Ontario's economy is expected to gain momentum in the second half of the year as export demand strengthens and lower interest rates and tax cuts promote solid growth in domestic demand.

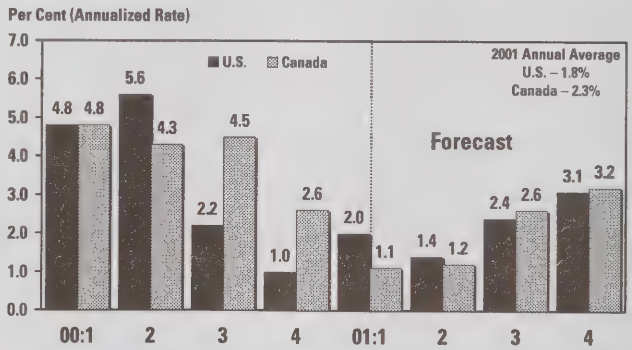
> *"... the province is relatively well positioned to face a temporary downturn in manufacturing activity as rising personal disposable incomes should bolster domestic demand. Next year real GDP growth is expected to bounce back into the 3.5% range as exports of consumer durable goods to the United States recover."*
>
> ***Royal Bank, April 2001***

- Domestic demand will continue as the primary driver of Ontario's strong growth. Over the past four years, 80 per cent of Ontario's growth reflected domestic spending. Further tax cuts this year and lower interest rates will provide an additional boost to domestic demand, enabling the economy to continue to grow in the face of slower growth of external demand.

- U.S. real GDP rose at a 2.0 per cent annual rate in the first quarter of 2001. Although this growth was well below that of recent years, the strength of the U.S. economy surpassed expectations. Lower interest rates and the tax cuts proposed in the United States are expected to further strengthen U.S. growth later this year.

- Ontario's economic performance is expected to strengthen in the second half of this year as households boost spending in reaction to lower interest rates and reduced taxes, recovering U.S. growth bolsters Ontario's exports and firms gain better control of inventory levels.

Quarterly Real GDP Growth, 2000:1–2001:4



Sources: U.S. - U.S. Bureau of Economic Analysis and *Blue Chip Economic Indicators* (April 2001).
Canada - Statistics Canada and Ministry of Finance Survey of Forecasts (April 2001).

New Jobs Being Created

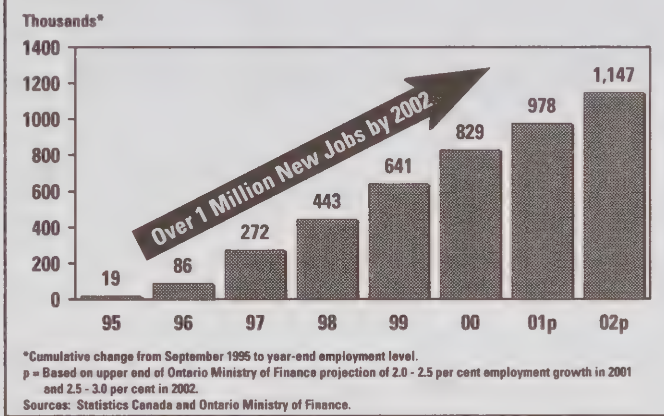
Ontario experienced record job creation over the past three years. Despite slower growth in the global economy in 2001, Ontario will continue to create new jobs this year. The pace of job creation is expected to accelerate along with economic growth in the second half of the year.

In July 2000, net job creation met the government's five-year target of 725,000 new jobs. Since then, the economy has generated an additional 97,900 jobs, making solid progress towards the Blueprint target of 825,000 jobs over the next five years.

- Ontario created 558,700 jobs during the 1998-2000 period, the strongest pace of job growth in the province's history. Of these new jobs, nine out of ten were full-time, private-sector positions.

- With economic growth moderating this year, Ontario employment is expected to increase by between 2.0 and 2.5 per cent in 2001. As growth picks up in 2002, employment is projected to rise by between 2.5 and 3.0 per cent.

Cumulative Job Creation Since September 1995



- A continued flow of new job opportunities, tax cuts and welfare reform are encouraging more Ontarians to participate in the labour market.

- These robust gains in employment, and the associated growth in personal income, have resulted in Personal Income Tax revenue outperforming projections in each of the last six years. In 2000-01, Personal Income Tax revenue was $1,445 million above the 2000 Budget forecast.

- Personal Income Tax revenue is projected to decline in 2001-02. This reflects the inclusion in 2000-01 revenue of $764 million of one-time revenue for higher 1999-2000 Personal Income Tax revenue than reported in the 1999-2000 Public Accounts.

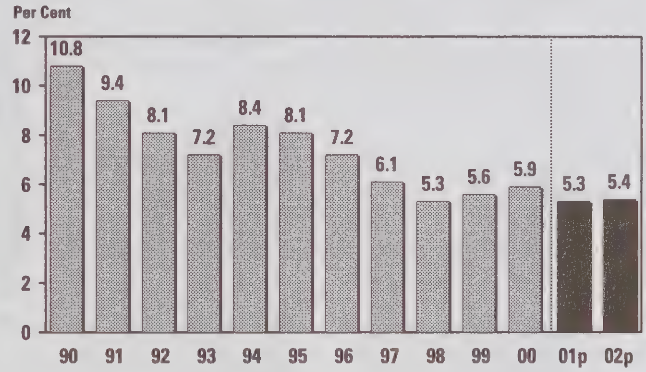
- In addition, the performance of the stock market in 2001 is expected to reduce capital gains, an important factor driving recent Personal Income Tax revenue growth. As well, the impact of the benefits to taxpayers announced in previous budgets and proposed in this Budget slows short-term Personal Income Tax growth. Past tax reductions and proposed lower tax rates, if enacted, will help to shorten the duration and lighten the impact of the current economic slowing.

Lower Interest Rates Support Growth

Interest rates are expected to fall further in both Canada and the United States. The U.S. Federal Reserve Board and the Bank of Canada are expected to cut short-term interest rates by another 50 basis points to support economic growth.

In order to develop cautious projections of Public Debt Interest, a prudence factor has been added to the average private-sector forecast of interest rates. The interest on three-month Government of Canada treasury bills is assumed to be 50 basis points higher than the average private-sector forecast. Interest rates on 10-year Government of Canada bonds are assumed to be 100 basis points higher than the average private-sector forecast.

10-Year Government of Canada Bond Rate



p = private-sector average projection.
Sources: Bank of Canada and Ontario Finance Financial Market Survey (April 2001).

Interest Rate Assumptions
(Average Per Cent)

	2000	2001 Jan-Apr	2001 May-Dec	2002
3-month Government of Canada treasury bills				
Private-sector survey average	**5.5**	**4.7**	4.0	4.1
Ontario's assumption			4.5	4.6
10-year Government of Canada bonds				
Private-sector survey average	**5.9**	**5.5**	5.3	5.4
Ontario's assumption			6.3	6.4

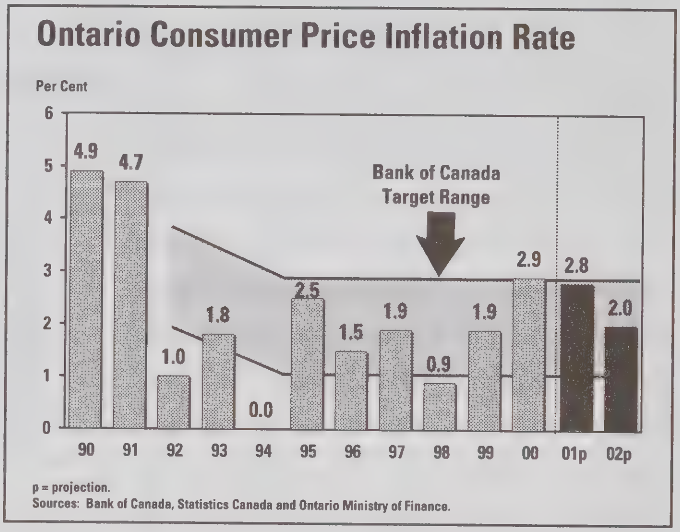
Sources: Bank of Canada, Ontario Ministry of Finance and Ontario Finance Financial Market Survey (April 2001).

Inflation Remains Moderate

The Ontario CPI inflation rate is expected to average 2.8 per cent in 2001 and 2.0 per cent in 2002.

- Ontario's CPI inflation rate was 3.2 per cent in March 2001. Excluding food and energy prices, the core Ontario CPI inflation rate was 2.2 per cent in March.

- The annual average inflation rate in 2000 was 2.9 per cent for Ontario, up from 1.9 per cent in 1999. Last year's rise in oil and natural gas prices was the major cause of the increase in the CPI inflation rate.



- Crude oil prices (using West Texas Intermediate as the benchmark) have fallen from $34.40 US a barrel in November 2000 to between $26 US and $28 US recently. Private-sector forecasters expect oil prices to fall to $24 US by the end of April 2002.

Consumer Spending Buoyed by Tax Cuts and Rising Income

Personal tax cuts and rising income will continue to drive solid growth in consumer spending in 2001 and 2002.

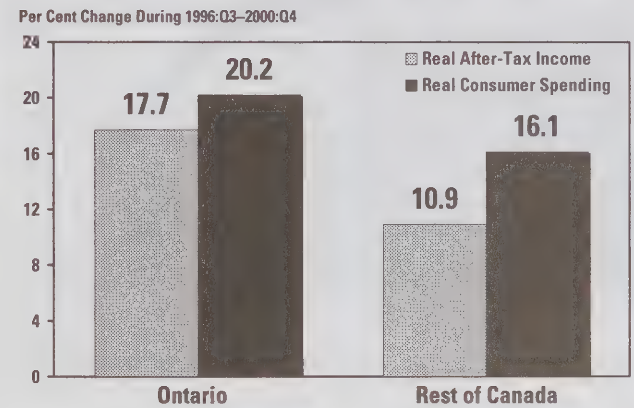
- Real consumer spending surged 4.4 per cent in 2000, supported by strong growth in real after-tax income as a result of tax cuts and strong job creation.

- The strong growth in consumer spending in 2000 boosted Retail Sales Tax revenue by 6.8 per cent in 2000-01. As a result, Retail Sales Tax revenue was $357 million above the 2000 Budget projection.

- Retail Sales Tax revenue is projected to continue to grow in 2001-02 based on higher consumer spending sustained by rising incomes, previously implemented tax cuts and proposed tax cuts.

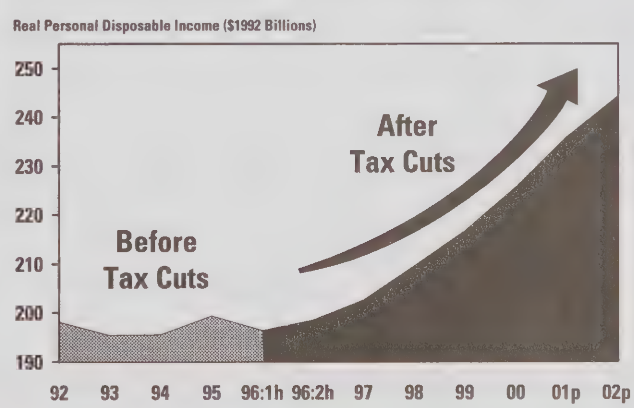
- From the second quarter of 1996, when Ontario income tax cuts began, to the fourth quarter of 2000, Ontario real disposable income increased by 17.7 per cent, much stronger than the 10.9 per cent pace for the rest of Canada.

Ontario Outperforms the Rest of Canada



Sources: Statistics Canada and Ontario Ministry of Finance.

Tax Cuts Boost Real Take-Home Pay



p = projection, h = half.
Sources: Statistics Canada and Ontario Ministry of Finance.

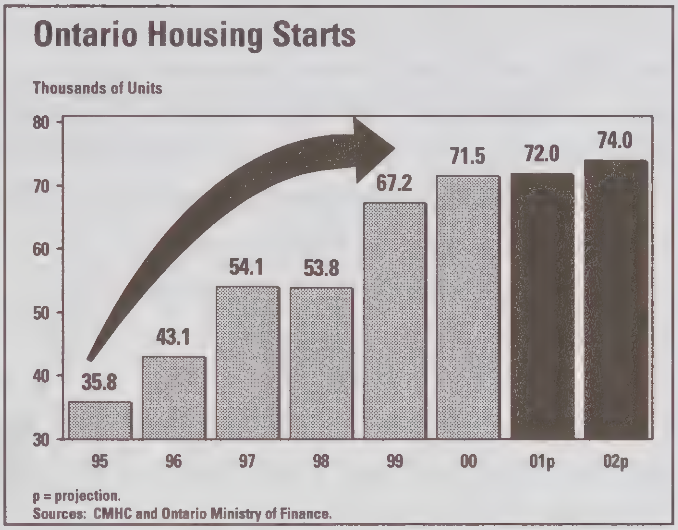
- During the same period, Ontario real consumption increased by 20.2 per cent, higher than the 16.1 per cent rise recorded for the rest of Canada.

- Real disposable income is expected to rise by 4.5 per cent in 2001 and 3.5 per cent in 2002. The continuing increase in disposable income is supported by lower taxes and robust employment growth.

- Real consumer spending is expected to grow by 3.1 per cent in 2001 and 3.3 per cent in 2002.

Housing Outlook Healthy

The housing market is expected to remain healthy in 2001, supported by lower interest rates and higher after-tax incomes.



- Ontario housing starts are expected to total 72,000 in 2001. Residential construction spending in Ontario is projected to rise by 2.6 per cent in 2001, and a further 5.1 per cent in 2002. The Land Transfer Tax (LTT) rebate for first-time buyers of new homes will continue to support housing purchases and the construction industry.

- The strong performance of the Ontario housing market in 2000 increased 2000-01 Land Transfer Tax revenue by $50 million above the 2000 Budget projection.

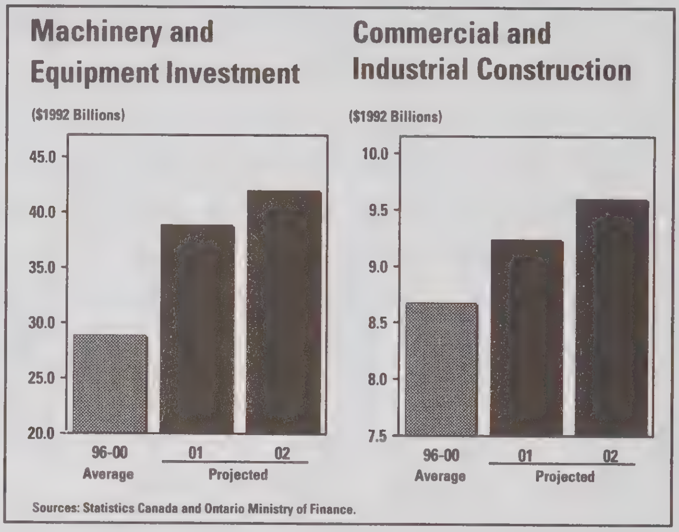
- Land Transfer Tax revenue is forecast to grow in 2001-02 to $670 million from $630 million in 2000-01, reflecting continued strength in the housing market.

- Posted five-year mortgage rates offered by major financial institutions have declined from 8.75 per cent in May 2000 to 7.5-7.75 per cent in early May 2001.

- Ontario housing remains affordable. In 2000, the monthly carrying cost for an average-priced home in Ontario was $1,097 compared to $1,489 in 1990. As a share of after-tax household income, the same average carrying cost was 22.6 per cent in 2000, down from 35.5 per cent in 1990.

Firms Continue to Invest

Healthy investment growth over the past few years has boosted productivity, enhancing Ontario's competitive position in the international economy. Lower business tax rates will encourage companies to continue making capital equipment investments that increase capacity and productivity. Businesses are expected to be cautious in their investment plans in 2001, reflecting slower economic growth. However, capacity utilization remains above its long-term average, and the acceleration in growth in the second half of 2001 is likely to prompt a sharp rebound in investment spending.



Corporate profits grew by 16.2 per cent in 2000. With the temporary slowing of economic growth, aggregate corporate profits are projected to decline by 0.5 per cent in 2001 before rebounding by 9.6 per cent in 2002.

Strong profit growth led to a 12.8 per cent increase in Corporations Tax revenue in 2000-01 to $9,130 million. This was $365 million above the 2000 Budget projection.

Corporations Tax revenue is projected to be below the 2000-01 level in 2001-02. This reflects the inclusion of $250 million of one-time revenue in 2000-01 for higher 1999-2000 Corporations Tax revenue than estimated in the 1999-2000 Public Accounts. Also contributing to the lower projected level of Corporations Tax in 2001-02 is the projected decline in 2001 aggregate corporate profits and the short-term impact of the previously implemented and proposed new Corporations Tax cuts.

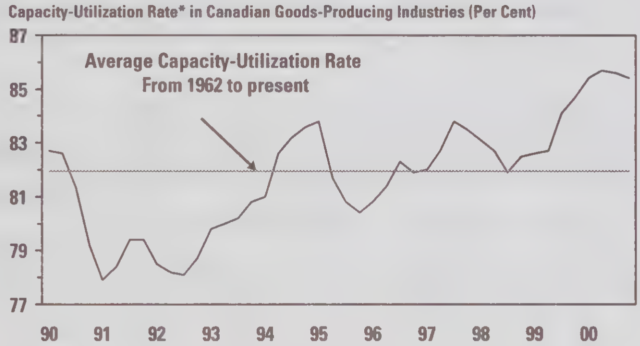
The value of Ontario business investment in machinery and equipment in real terms rose by 93 per cent between 1996 and 2000. Real investment in commercial and industrial construction rose by more than 35 per cent over the same period. Measured in constant 1992 dollars, machinery and equipment outlays are projected to reach $42.0 billion in 2002 and commercial and industrial construction is forecast at $9.6 billion.

- Machinery and equipment investment is projected to increase by 2.9 per cent in 2001. As economic growth accelerates, businesses are expected to raise their investment spending, with machinery and equipment investment set to grow by 8.1 per cent in 2002.

- Ontario industrial real estate development is growing strongly. Commercial and industrial building permits rose an average of 13.7 per cent per year over the past three years.

- Spending on commercial and industrial construction projects is expected to remain healthy, with a projected average annual increase of 3.4 per cent over the next two years.

High Capacity Utilization Encourages Investment



*Industrial Capacity Utilization is the ratio of actual output to estimated potential output.
Source: Statistics Canada.

Many companies are recognizing Ontario as an attractive location for investment based on its highly competitive business and tax climate and long-term economic prospects. Firms with major projects underway or announced include:

- Electrofuel Inc. in Toronto, which has opened a new manufacturing plant producing batteries for notebook computers, and DuPont Canada, which has formed a fuel cell business unit in Kingston.

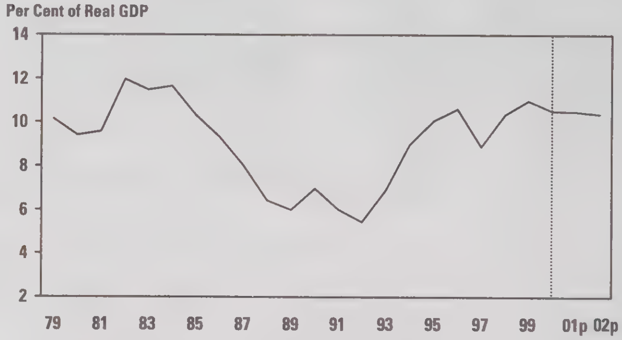
- Lofthouse Brass, headquartered in Whitby, which is investing in a new forging product line in its Burk's Falls plant; Great Lakes Power in Wawa, which is redeveloping the Michipicoten High Falls Hydro Dam; and Falconbridge in Timmins, which is investing in a new mine that will be the deepest operating base-metal mine in the world.

Ontario's External Trade Grows

Ontario's high level of exports reflects a healthy, competitive economy. There has been a 51 per cent increase in exports since mid-1995, driven by NAFTA, industrial restructuring and U.S. growth. However, this has been accompanied by a 49 per cent increase in imports. Many Ontario exports, such as assembled cars, use imported components. Under NAFTA, multinational companies have been able to rationalize operations and integrate production across North America. The rationalization, which leads to greater efficiency, has increased the use of imported components in Ontario. Slower growth in the U.S. economy has resulted in weaker Ontario export growth. Part of this has been offset by reduced imports of components.

A different perspective on the role of trade in Ontario's economy is provided by net exports (the trade balance). This is the value of exports minus imports. As the chart indicates, net exports are a lower share of Ontario GDP now than they were in the early 1980s. Net exports as a share of GDP decreased in 2000. Nevertheless, Ontario's real GDP grew by 5.5 per cent in 2000.

Ontario Net International and Interprovincial Exports



Note: p = projection. Net Exports is Exports less Imports in $1992.
Sources: Ontario Ministry of Finance and Statistics Canada.

Ontario's competitive advantages leave it well positioned to maintain its market share in the U.S. economy, and to benefit from the expected future economic rebound.

Ontario's manufacturing industries have had strong productivity growth, and in most manufacturing industries productivity gains have matched or exceeded the growth experienced in the United States. Coupled with improved cost controls and the lower Canadian dollar, this means that Ontario's exporting industries are very competitive. Ontario's unit labour costs in manufacturing relative to costs in the United States, expressed in U.S. dollars, have declined by about 20 per cent since 1990.

- Most private-sector forecasters expect the Canadian dollar to appreciate against the U.S. dollar. A strong currency that reflects a strong and productive economy would be beneficial for Canadians by increasing their purchasing power in world markets. A lower tax burden and other measures that promote increased investment and productivity growth will strengthen the Canadian dollar.

Auto Sales Return to Sustainable Levels

The automotive sector is an important part of the Ontario economy. Ontario is among the world's leading automotive producers, second only to Michigan in terms of auto assembly. The sector accounts for about 5.5 per cent of the Ontario economy and about 3.5 per cent of employment.

- Twelve plants in Ontario assemble cars, light trucks and vans. Ontario's share of North American assembly rose from 14.6 per cent in 1995 to 16.3 per cent in 2000, with employment increasing 8.7 per cent to 74,000 in 2000.
- Ontario's auto-parts production has also grown significantly. Employment has surged by 61.8 per cent since 1995 to a total of 125,000 in 2000. In comparison, parts employment in the United States increased by only 7.4 per cent.
- Ontario's performance reflects its relatively low costs, strong supplier base and favourable business climate.

There continue to be healthy levels of reinvestment in Ontario's auto industry.

- Toyota is modernizing its Cambridge plant. General Motors is making a substantial reinvestment in its Oshawa plants. Ford has announced a reinvestment in its St. Thomas plant. Honda recently launched two new vehicle lines at its Alliston plant.
- Parts suppliers are also investing in new capacity in Ontario. UBE is adding a new plant in Sarnia. Keiper is investing in a new plant in London.
- Auto-related research and development in Ontario is expanding significantly, with new initiatives by DaimlerChrysler in Windsor and General Motors in Oshawa.

U.S. Auto Sales Set to Resume the 20-Year Trend

Sources: *Ward's Automotive Report* and *Consensus Forecasts* (April 2001).

- U.S. auto sales reached a record 17.3 million units in 2000. However, sales slowed in late 2000, falling to an annual rate of 16.2 million in the fourth quarter. Over the first four months of 2001, stronger-than-expected demand and competitive pricing led to a rebound in U.S. auto sales to an annualized rate of more than 17 million units.

- The slowdown in U.S. auto sales in the second half of 2000 resulted in a buildup in inventories. However, production cuts and improved sales have brought dealer inventories into better balance recently. North American dealer inventories have fallen from 85 days' supply in January to 63 days' in March.

- Most auto-sector layoffs have been temporary, as auto assemblers adjust their inventories to more manageable levels. Some permanent layoffs are occurring, reflecting ongoing restructuring in the global auto industry.

Growth Prospects for Ontario's High-Tech Sector Remain Strong

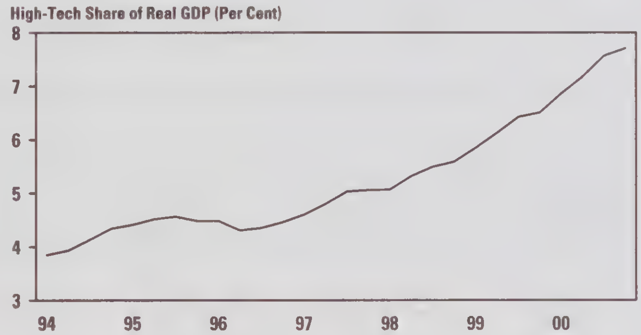
Ontario's high-tech sector, which includes information technology (IT) products and services and telecommunication, continued to create jobs in the first quarter of 2001, with employment reaching 305,000.

- Although communications equipment and parts employment has declined from a year earlier, employment in other parts of the high-tech sector—accounting for 90 per cent of the sector's jobs—has continued to grow.

- Less-cyclical services industries, such as computer and telecommunication services, have led the sector's job growth.

Leading high-tech clusters have developed in the Greater Toronto Area, Ottawa and the Kitchener-Waterloo region, all of which experienced increases in high-tech jobs in the first quarter of 2001.

High-Tech* Share of Economy Doubled Since 1994



*Comprises computer manufacturing, telecommunication and electronic manufacturing, computer services and telecommunication carriers.
Sources: Statistics Canada and Ontario Ministry of Finance.

- Ontario is an attractive location for high-tech firms. This reflects its highly educated workforce, universities and other research and development (R&D) capabilities, as well as its highly competitive business and tax climate.

- Many small, entrepreneurial firms are expanding throughout Ontario and undertaking R&D to develop new products and services for global markets. Typical examples are Med-Eng Systems in Ottawa, which produces personal protective systems; Cymat Corporation in the GTA, which is developing innovative materials technology; and RMH Teleservices in Sault Ste. Marie, which has set up a call centre that also serves U.S. customers.

Since 1994, the high-tech sector in Ontario has grown rapidly, doubling its share of Ontario's economy to almost eight per cent of GDP.

- U.S. real business investment in IT has historically displayed a strong growth trend, contributing to rapid growth in Ontario's high-tech exports. U.S. real business investment in IT is expected to grow in 2001, but at a slower rate than in recent years. However, since IT is a critical element for enhancing competitiveness, the strong uptrend in IT investment is expected to resume over the medium term.

Revenue Outlook

Ontario's strong revenue performance continued in 2000-01, driven by the robust performance of the Ontario economy. Total revenue in 2000-01 was $2,867 million above the 2000 Budget projection, including $2,339 million from higher tax revenue. A detailed assessment of the performance of revenues in 2000-01 is presented in Paper B, *Fiscal Responsibility: Ontario's Plan*.

Revenue is projected to decline in 2001-02, largely as the result of $1,014 million of one-time revenues included in 2000-01. Excluding those one-time revenues, total revenue grows by over $350 million.

- There were one-time increases to Personal Income Tax and Corporations Tax revenues in 2000-01. These are a result of higher 1999-2000 revenue than reported in the 1999-2000 Public Accounts.

Ontario Revenues: 1999-2000 to 2001-02
($ Millions)

	Actual 1999-2000	Interim 2000-01	Projected 2001-02
Taxation Revenue			
Personal Income Tax	17,617	18,975	18,010
Retail Sales Tax	12,879	13,757	14,340
Corporations Tax	8,095	9,130	8,340
All Other	7,290	7,800	8,130
Federal Payments	5,885	6,232	7,359
Income from Government Enterprises	3,708	3,968	3,424
Other Revenue	7,457	5,065	4,667
Total Revenue	62,931	64,927	64,270
Total Revenue Excluding One-time Tax Revenue in 2000-01*	***62,931***	***63,913***	***64,270***

* Excludes one-time Personal Income Tax revenue of $764 million and Corporations Tax revenue of $250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenue for 1999-2000 than reported in the 1999-2000 Public Accounts.

- Personal Income Tax revenue is projected to decline in 2001-02. This reflects the inclusion in 2000-01 revenue of $764 million of one-time revenue for higher 1999-2000 Personal Income Tax revenue than estimated in the 1999-2000 Public Accounts. In addition, the performance of the stock market in 2001 is expected to reduce capital gains, an important factor driving recent Personal Income Tax revenue growth. Finally, the impact of the benefits to taxpayers proposed in this and previous budgets slows short-term Personal Income Tax growth.

- Corporations Tax revenue is projected to be below the 2000-01 level in 2001-02. This reflects the inclusion of $250 million of one-time revenue for higher 1999-2000 Corporations Tax revenue than estimated in the 1999-2000 Public Accounts. Also contributing to the lower projected level of Corporations Tax in 2001-02 is the projected decline in 2001 aggregate corporate profit growth and the impact of the Corporations Tax cuts proposed in this and previous budgets.

- Retail Sales Tax is projected to continue to grow in 2001-02 as tax cuts and rising incomes boost consumer spending.

- Continued job gains and income growth are forecast to increase Employer Health Tax revenue to $3,620 million in 2001-02.

- Transfers from the Government of Canada are projected to be $7,359 million in 2001-02. This includes $6,010 million for the Canada Health and Social Transfer (CHST), which incorporates the increase in the CHST allocation and Supplements.

- Other Revenue declines by $398 million, primarily due to the devolution of the Ontario Housing Corporation to municipalities, which reduces revenue by $256 million. Expenditure is also lowered by this transaction. Local Services Realignment revenue falls by $166 million, reflecting a lower level of reimbursable expenditures by municipalities.

- As economic growth picks up beginning in the second half of 2001, total revenues are projected to rise from $64.3 billion in 2001-02 to $65.5 billion in 2002-03.

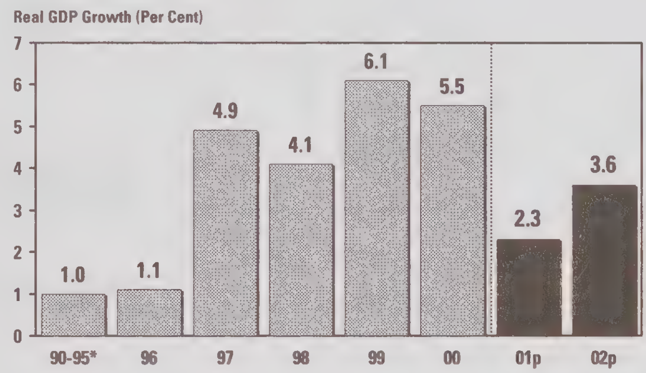
Conclusion

A competitive, growing economy is the basis for sustainable revenue growth. Total tax revenues have risen by over $15 billion or 43.9 per cent since Ontario began cutting taxes. Stronger economic growth is projected to underpin further revenue growth to $65.5 billion by 2002-03.

Ontario real GDP growth will moderate this year and rebound strongly in 2002. The average private-sector forecast calls for the Ontario economy to grow by 2.3 per cent in 2001 and 3.6 per cent in 2002.

Private-sector forecasters are confident that Ontario's economy will continue to grow. Tax and fiscal policies undertaken since 1995 have focused on creating the conditions to increase growth and raise living standards on a sustained long-term basis. The economic fundamentals in Ontario are sound, especially compared to the first half of the 1990s. The economy is competitive, inflation and interest rates are low, real disposable incomes are rising, and consumer, business and government finances are in excellent shape.

Private-Sector Economic Outlook for 2001 and 2002



*Annual average growth. p = projection.
Sources: Statistics Canada, Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (April 2001).

Ontario is well positioned to weather the temporary slowdown in the United States and post continued real GDP growth in 2001 and 2002.

PAPER A

Appendix

Details of the Ontario Economic Assumptions and Revenue Outlook

The following tables and charts provide further details about the Ontario Ministry of Finance economic and revenue projections. The revenue projections shown include the effect of legislative measures proposed in this Budget and detailed in Paper C, *Tax Cuts: Keeping Promises, Creating Opportunities.*

The Ontario Economy, 1999 to 2002
(Per Cent Change)

	Actual		Projected	
	1999	**2000**	**2001**	**2002**
Real Gross Domestic Product	**6.1**	**5.5**	**2.2**	**3.5**
Personal consumption	4.2	4.4	3.1	3.3
Residential construction	14.7	3.8	2.6	5.1
Non-residential construction	(0.3)	1.1	2.9	3.9
Machinery and equipment	14.1	19.1	2.9	8.1
Exports	11.3	6.8	1.5	4.6
Imports	11.0	7.9	1.4	5.0
Nominal Gross Domestic Product	**6.5**	**7.9**	**4.2**	**5.3**
Other Economic Indicators				
Retail sales	7.3	7.3	4.8	5.0
Housing starts (000s)	67.2	71.5	72.0	74.0
Personal income	4.6	6.4	4.5	5.0
Corporate profits	20.3	16.2	(0.5)	9.6
Ontario Consumer Price Index	1.9	2.9	2.8	2.0
Labour Market				
Employment*	3.6	3.2	2.0 - 2.5	2.5 - 3.0
Unemployment rate* (per cent)	6.3	5.7	5.5 - 6.0	5.5 - 6.0
Provincial Revenue ($ billions)	62.9	64.9	64.3	65.5
Provincial Revenue Excluding One-time Tax Revenue in 2000-01	***62.9***	***63.9***	***64.3***	***65.5***

* Based on Labour Force Survey.

** Excludes one-time Personal Income Tax revenue of $764 million and Corporations Tax revenue of $250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenue for 1999-2000 than reported in the 1999-2000 Public Accounts.

Sources: Statistics Canada and Ontario Ministry of Finance.

The following table shows the sensitivity of the fiscal balance to the direct impact of lower interest rates on Public Debt Interest and the impact of stronger economic growth on revenues and expenditures.

Impact of Changes in Economic Assumptions on the Ontario Surplus
($ Millions)

	2001-02
100 Basis Points Lower Canadian Interest Rates	80
1 Percentage Point Higher Real GDP Growth	610

Note: These responses would hold "on average" and could vary significantly depending on the composition of change in income and expenditures.

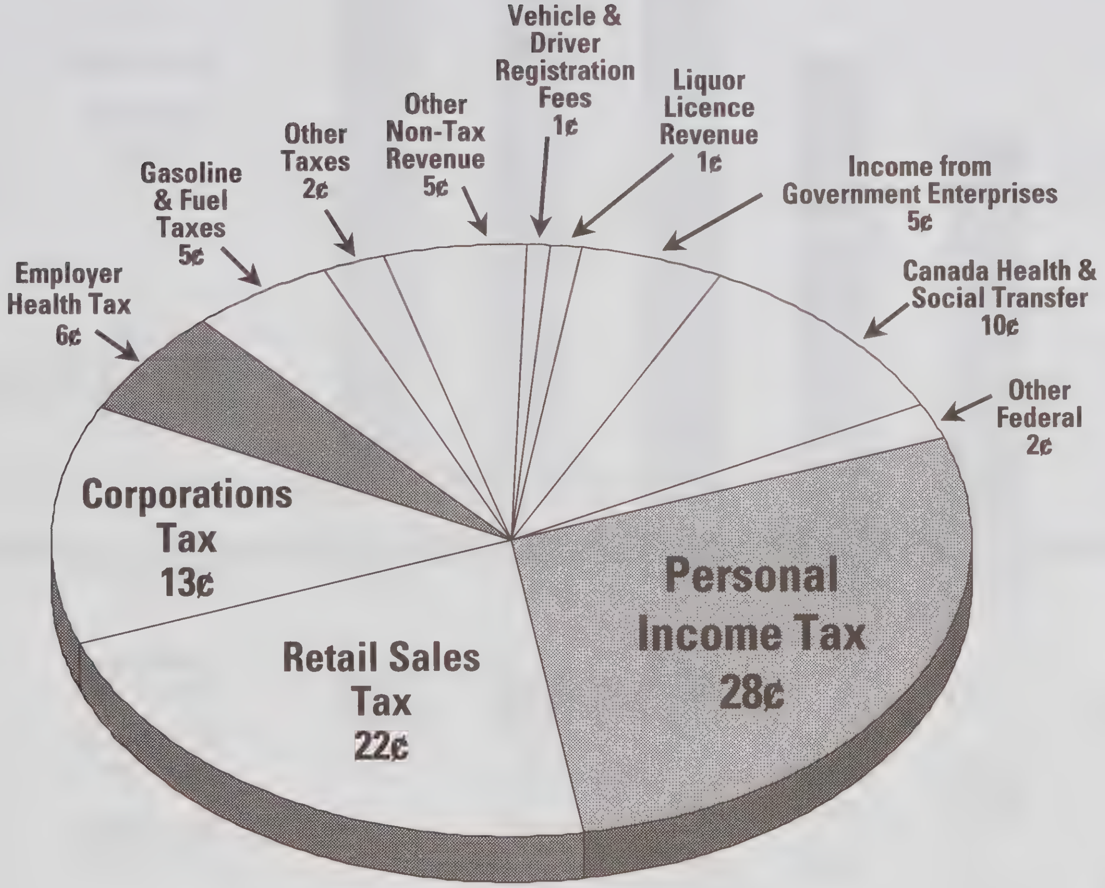
Source: Ontario Ministry of Finance.

Revenue
($ Millions)

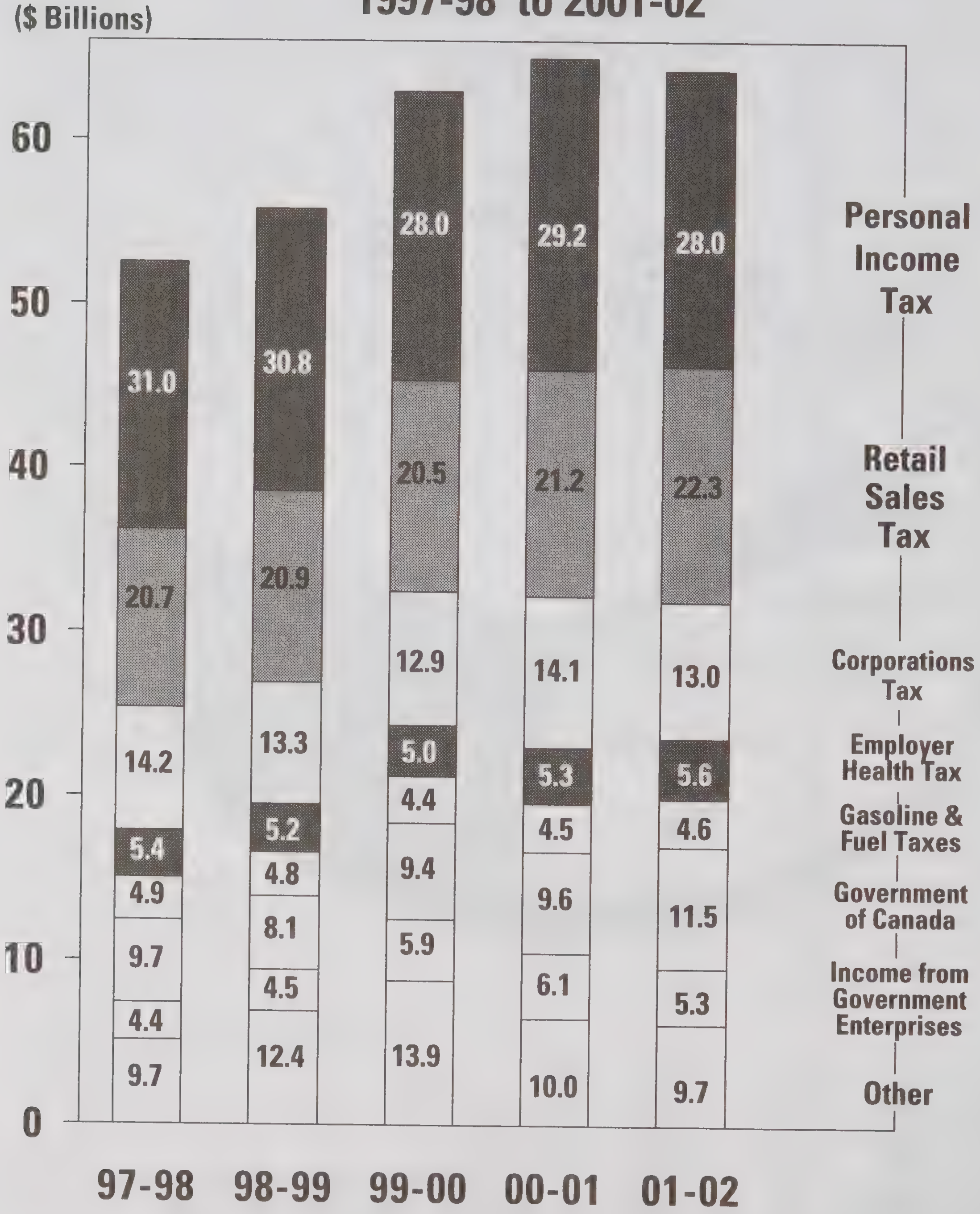
	Actual 1997-98	Actual 1998-99	Actual 1999-2000	Interim 2000-01	Plan 2001-02
Taxation Revenue					
Personal Income Tax	16,293	17,190	17,617	18,975	18,010
Retail Sales Tax	10,843	11,651	12,879	13,757	14,340
Corporations Tax	7,456	7,447	8,095	9,130	8,340
Employer Health Tax	2,851	2,882	3,118	3,455	3,620
Gasoline Tax	2,028	2,068	2,154	2,242	2,300
Fuel Tax	563	592	665	651	655
Tobacco Tax	425	447	481	495	620
Land Transfer Tax	565	470	565	630	670
Mining Profits Tax	40	23	50	90	55
Preferred Share Dividends Tax	60	50	33	40	56
Other Taxation	145	257	224	197	154
	41,269	**43,077**	**45,881**	**49,662**	**48,820**
Government of Canada					
Canada Health and Social Transfer	3,970	3,553	3,967	4,137	5,630
CHST Supplements	-	-	755	758	380
Social Housing	387	358	466	550	530
Student Assistance	18	64	170	40	64
Indian Welfare Services	87	155	85	118	117
Young Offenders Act	59	57	58	56	55
Bilingualism Development	49	55	65	64	64
Employability Assistance for People with Disabilities	53	71	65	58	39
Canada-Ontario Infrastructure Works	116	71	19	-	-
Other	359	131	235	451	480
	5,098	**4,515**	**5,885**	**6,232**	**7,359**
Income from Government Enterprises					
Ontario Lottery and Gaming Corporation	1,485	1,764	1,924	2,150	2,000
Liquor Control Board of Ontario	745	809	845	875	890
Ontario Power Generation Inc. and Hydro One Inc.	-	-	903	918	524
Other	61	(26)	36	25	10
	2,291	**2,547**	**3,708**	**3,968**	**3,424**
Other Revenue					
Vehicle and Driver Registration Fees	820	890	911	930	925
Other Fees and Licences	548	661	667	680	685
Liquor Licence Revenue	506	519	539	525	518
Royalties	286	289	345	219	240
Sales and Rentals	582	640	2,133	585	300
Fines and Penalties	174	50	41	37	40
Local Services Realignment—Reimbursement of Expenditure	519	2,109	1,678	1,389	1,223
Miscellaneous	425	489	1,143	700	736
	3,860	**5,647**	**7,457**	**5,065**	**4,667**
Total Revenue	**52,518**	**55,786**	**62,931**	**64,927**	**64,270**
Total Revenue Excluding One-time Tax Revenue in 2000-01*	***52,518***	***55,786***	***62,931***	***63,913***	***64,270***

* Excludes one-time Personal Income Tax revenue of $764 million and Corporations Tax revenue of $250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenue for 1999-2000 than reported in the 1999-2000 Public Accounts.

The Budget Dollar Revenue 2001-02



Revenue Sources by Category
Per Cent of Total
1997-98 to 2001-02



PAPER B

Fiscal Responsibility: Ontario's Plan

Introduction

Ontario's fiscal position has been restored. As a result of the government's economic and fiscal policies, and its prudent approach to budgeting, Ontario has achieved two consecutive budget surpluses, recording a $668 million surplus in 1999-2000, and a surplus of $3.2 billion projected for 2000-01. With its 2001 Budget, the Province is on track to achieve a third consecutive balanced budget, and has in place the policies needed to maintain a balanced budget into the future. This will enable the government to continue to reduce Net Provincial Debt and the burden of interest costs on taxpayers both now and in the future.

In 1995, the government outlined its Balanced Budget Plan to steadily reduce the deficit and balance the budget. The 2001 Budget demonstrates that the Province's commitment to a balanced budget is ongoing. With the passage of the *Taxpayer Protection Act* and the *Balanced Budget Act* in 1999, the people of Ontario are assured that the Province's finances will continue to be managed wisely in 2001-02 and in the years to come.

Ontario's recent fiscal performance has been outstanding. With strong economic growth and a cautious and prudent approach to budgeting, the Balanced Budget Plan targets were overachieved each year and the budget was balanced in 1999-2000, one year ahead of schedule. With a $1.0 billion reduction in Net Provincial Debt in 1999-2000 and a record $3.0 billion contribution projected for 2000-01—the largest single-year debt reduction in the Province's history—the government has achieved 80 per cent of its $5 billion debt-reduction commitment in the first two years of this mandate.

This paper reviews the following:

Section I: Interim Results for 2000-01

Section II: Ontario's 2001-02 Fiscal Plan

Section III: Medium-Term Outlook

Section IV: Ontario's Fiscal Record

Section V: Next Steps in Paying Down Debt

Section I: Interim Results for 2000-01

Second Consecutive Surplus

In 1999-2000 Ontario recorded a $668 million surplus, balancing the budget in just five years—one full year ahead of the schedule laid out in the Balanced Budget Plan. With a $3,192 million surplus projected for 2000-01, Ontario will have achieved two consecutive surpluses for the first time in more than half a century.

2000-01 In-Year Fiscal Performance
($ Millions)

	Budget Plan	Interim	In-Year Change
Revenue	62,060	64,927	2,867
Expenditure			
Programs	49,525	50,428	903
Restructuring and Other Charges	-	31	31
Total Program Expenditure	49,525	50,459	934
Capital	2,075	2,075	-
Public Debt Interest			
Provincial	8,940	8,883	(57)
Electricity Sector	520	520	-
Total Expenditure	61,060	61,937	877
Less: Reserve	1,000	-	(1,000)
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	-	202	202
Surplus / (Deficit)	**0**	**3,192**	**3,192**

* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.
Source: Ontario Ministry of Finance.

♦ Revenue was $2,867 million over the level projected in the 2000 Budget Plan. Most of the increase was due to higher tax revenue, which was $2,339 million above the Budget forecast. This was a result of strong economic growth supported by the government's policies of lower taxes, reduced regulation, and sound fiscal management.

- Total expenditure was $877 million higher than projected in the 2000 Budget, mainly due to the impact of accounting changes introduced in the 1999-2000 Public Accounts and priority in-year investments in health care spending and health and education infrastructure, largely offset by underspending in other areas.

- Ontario's 2000 Budget Plan included a $1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. Based on improvements in the economic and revenue outlook, the $1 billion reserve was eliminated in-year and applied to reduce Net Provincial Debt.

Strong 2000-01 Revenue Performance

Ontario's strong revenue performance continued in 2000-01. Total revenue in 2000-01 was $64,927 million, $2,867 million above the 2000 Budget projection of $62,060 million. Tax revenue, driven by the strength of the Ontario economy and continued job creation, was $2,339 million above projection. Personal Income Tax, Retail Sales Tax, Corporations Tax, Employer Health Tax and Land Transfer Tax were all above the 2000 Budget forecast. Income from Government Enterprises and Federal Payments were also higher than projected in the 2000 Budget.

Summary of In-Year Changes to Revenue in 2000-01
($ Millions)

		Interim 2000-01
Taxation Revenue		
Personal Income Tax	1,445	
Retail Sales Tax	357	
Corporations Tax	365	
Employer Health Tax	135	
Land Transfer Tax	50	
All Other	(13)	
		2,339
Federal Payments		
Canada Health and Social Transfer	38	
All Other	162	
		200
Income from Government Enterprises		
Ontario Lottery and Gaming Corporation	455	
Ontario Power Generation Inc., and Hydro One Inc.	123	
All Other	(33)	
		545
Other Revenue		
Miscellaneous	175	
Local Services Realignment—Reimbursement of Expenditure	(183)	
Sales and Rentals	(205)	
All Other	(4)	
		(217)
Total In-Year Revenue Changes		**2,867**

Source: Ontario Ministry of Finance.

- Personal Income Tax (PIT) revenue was $1,445 million above the 2000 Budget projection. PIT revenues benefited from strong income, employment and capital gains growth. Of the $1,445 million increase, $764 million is a one-time revenue for higher 1999-2000 PIT than reported in the 1999-2000 Public Accounts.

- Retail Sales Tax was $357 million higher than forecast as a result of the strength of consumer spending in 2000.

- Corporations Tax revenue was $365 million above forecast. This includes $250 million in one-time revenue in 2000-01 for higher 1999-2000 Corporations Tax revenue than estimated in the 1999-2000 Public Accounts. Corporate profits in 2000-01 grew faster than projected in the 2000 Budget.

- Robust income and employment growth in 2000 increased Employer Health Tax revenue by $135 million over the 2000 Budget forecast.

- The vigorous Ontario housing market boosted Land Transfer Tax revenue by $50 million above the 2000 Budget projection.

- Due to the impact of higher energy prices on gas and fuel consumption, Gasoline Tax was $18 million below the 2000 Budget projection and Fuel Tax revenue was $14 million below.

- Federal Payments were $200 million above the 2000 Budget projection. This increase includes $190 million for medical equipment. Other changes to Federal Payments are primarily the result of Canada Millennium Scholarships being paid directly to recipients rather than through the Province, reducing expenditure and revenue in-year by $106 million.

- Income from Government Enterprises was $545 million higher than the 2000 Budget projection. Higher Ontario Lottery and Gaming Corporation net income accounted for $455 million of the increase, a result of higher-than-projected income from casinos and slot machines at race tracks. Net income from Ontario Power Generation Inc., and Hydro One Inc., outperformed the 2000 Budget projection by $123 million. This increase was due primarily to higher Ontario Power Generation net income, a result of higher electricity sales volume in Ontario and lower expenses due to higher returns on pension fund assets.

- Sales and Rentals revenue was $205 million below the Budget projection reflecting lower asset sales and lower revenue from government organizations. The lower government organizations' revenue primarily reflects lower Ontario Housing Corporation (OHC) revenue due to the acceleration of the OHC transfer to municipalities.

- Local Services Realignment revenue was $183 million lower than estimated in the 2000 Budget, reflecting lower reimbursable expenditures on behalf of municipalities.

- Miscellaneous revenue was $175 million more than projected. This includes a $344 million increase for the consolidation of the Independent Electricity Market Operator as a government organization. This in-year change parallels the treatment of this organization in the 1999-2000 Public Accounts.

2000-01 In-Year Operating Expenditure Changes

Operating expenditure for 2000-01 at $59,862 million is up $877 million from the 2000 Budget forecast of $58,985 million. This increase is mainly due to the impact in 2000-01 of accounting changes introduced in the 1999-2000 Public Accounts, and in-year investments in health care, largely offset by underspending in other program areas.

Summary of In-Year Operating Expenditure Changes in 2000-01
($ Millions)

	Interim 2000-01	
Program Expenditure Changes:		
Health Care Funding (Net)	775	
Municipal Assistance	216	
Northern Ontario Heritage Fund Corporation—lower-than-planned spending	(157)	
Canada Millennium Scholarships—paid directly to recipients	(106)	
Ontario Cancer Research Network	(50)	
Other (Net)	(500)	
		178
Accounting Changes*		
Electricity Sector—increase in provision	398	
Independent Electricity Market Operator—consolidation impact offset by revenue	321	
Metro Toronto Convention Centre—consolidation impact offset by revenue	37	
		756
Total Program Expenditure Changes		**934**
Public Debt Interest		**(57)**
Total In-Year Operating Expenditure Changes		**877**

* Accounting changes introduced in the 1999-2000 Public Accounts increased 2000-01 operating expenditure in-year by $756 million.

Source: Ontario Ministry of Finance.

- Health care operating spending increased by a net $775 million in-year primarily for hospitals, which received $443 million in funding enhancements, $177 million to fund hospital deficits, and $120 million to provide performance bonuses to efficient hospitals. In addition, $189 million was provided in-year for medical equipment and an extra $105 million was allocated for drug programs due to increased utilization. These increases were partially offset by reprofiling the implementation schedule for long-term care beds, reductions in OHIP utilization and slower-than-anticipated take-up of new programs, which resulted in savings of $259 million.

- An additional $166 million was provided in-year to the cities of Hamilton, Ottawa and Greater Sudbury, and the counties of Haldimand and Norfolk, for municipal assistance related to restructuring. In addition, a final contribution of $50 million was provided to reimburse the City of Toronto for improvements already made to Toronto's subway system.

- Northern Ontario Heritage Fund Corporation (NOHFC) spending was $157 million lower than planned in 2000-01, as NOHFC refocused its mandate and worked to develop a strategy for major capital partnerships. Funds not allocated in 2000-01 will be invested in the North in future years.

- Canada Millennium Scholarships were paid directly to recipients, rather than through the Province, resulting in an in-year expenditure and revenue decrease of $106 million.

- Funding to establish the Ontario Cancer Research Network was reprofiled into future years, resulting in a $50 million in-year reduction in spending.

- Public Debt Interest costs are down $57 million due to the reduction in Net Provincial Debt, lower-than-expected interest rates, and cost-effective debt management.

Accounting Changes

- Consistent with the government's commitment to keep electricity income in the electricity sector, $398 million has been added in-year to the Provision for the Electricity Sector. This provision is equal to the net income of Ontario Power Generation Inc. and Hydro One Inc. in excess of the Province's interest expenditure on its equity investment in the electricity sector. This treatment is consistent with the establishment of the provision in the 1999-2000 Public Accounts.

- Reported spending increased $321 million in-year to reflect the operating component of the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999-2000 Public Accounts. This increase is offset by revenue.

- Reported spending increased $37 million in-year as a result of the consolidation of the Metro Toronto Convention Centre as a government organization, consistent with the treatment in the 1999-2000 Public Accounts. This increase is offset by revenue.

In-Year Capital Expenditure Changes

The level of 2000-01 capital expenditure at $2,075 million is unchanged from the 2000 Budget forecast. Major in-year changes include one-time investments in hospital restructuring and post-secondary education, offset by lower-than-expected spending in the first year of a number of SuperBuild partnership initiatives and other capital projects.

Summary of In-Year Capital Expenditure Changes in 2000-01
($ Millions)

	Interim 2000-01	
Health Services Restructuring—accelerated capital projects	140	
Post-Secondary Institutions—funding for deferred maintenance	100	
Ontario Institute of Technology	60	
SuperBuild Partnership Initiatives	(334)	
Adult Infrastructure Renewal Project and Dedicated Young Offender System	(61)	
Courts Construction Projects	(24)	
Other (Net)	39	
		(80)
Accounting Changes*		
Independent Electricity Market Operator—consolidation impact		80
Total In-Year Capital Expenditure Changes		**0**

* Accounting changes introduced in the 1999-2000 Public Accounts increased 2000-01 capital expenditure in-year by $80 million.

Source: Ontario Ministry of Finance.

- An additional $140 million was provided in-year to hospitals to help accelerate Health Services Restructuring Commission (HSRC) directed capital projects.

- An additional $100 million was provided to post-secondary institutions in-year to fund deferred maintenance costs incurred by colleges and universities.

- Expenditure increased $60 million in-year for the establishment of the Ontario Institute of Technology, a new post-secondary institution in Durham region that will offer university-degree and college-level programs.

- Underspending of $334 million in the SuperBuild Partnership Initiatives was due to decisions to delay launching of these initiatives to take into account the November 2000 elections and the time required by municipalities to prepare business cases for their projects and pass required municipal council resolutions.

- Slower-than-expected construction of capital projects under both the Adult Infrastructure Renewal Project and the Dedicated Young Offender System resulted in underspending of $61 million.

- Underspending of $24 million in the Ministry of the Attorney General was due to delays in court construction projects in Pembroke, Brampton, Owen Sound, Chatham and Brockville.

- Reported expenditure increased $80 million in-year to reflect the capital component of the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999-2000 Public Accounts.

Local Services Realignment Transition Measures

Provincial and municipal levels of government initiated the realignment of government services effective January 1, 1998. The objective of the Local Services Realignment (LSR) initiative is to improve accountability, reduce waste and provide the highest quality services to Ontario taxpayers at the lowest possible cost.

The financial responsibility for a number of LSR programs was transferred to municipalities starting on January 1, 1998. To ensure a smooth transition, the Province is continuing to deliver some of these programs on behalf of municipalities, pending program transfer. Municipalities reimburse the Province for the expenditures made on their behalf. Of the remaining LSR programs listed below, those associated with Social Assistance (the Ontario Disability Support Program and Ontario Drug Benefits) will not be transferred to municipalities.

Local Services Realignment Transition Measures: Impact on Fiscal Plan
($ Millions)

	2000-01	2001-02
Transition Expenditures		
Social Housing	683	585
Social Assistance	520	554
Land Ambulance	57	0
Provincial Offences Act	8	4
Grant in Respect of Provincial Offences Act Net Revenues	37	7
Total Increase in Expenditure	**1,305**	**1,150**
Reimbursement of Expenditure from Municipalities	**1,254**	**1,133**
Provincial Offences Act Revenue	**45**	**11**
Net Impact on Surplus	**(6)**	**(6)**

Source: Ontario Ministry of Finance.

- Social Housing expenditures decline by $98 million from $683 million in 2000-01 to $585 million in 2001-02 as a result of the transfer of the public housing component of the program to municipalities effective January 1, 2001.

- Caseload increases in the Ontario Disability Support Program contribute to the $34 million increase in Social Assistance expenditures, from $520 million in 2000-01 to $554 million in 2001-02. Municipalities will benefit from year-over-year declines in Ontario Works caseloads, saving them approximately $50 million.

- There are no transition expenditures for Land Ambulance services in 2001-02 since the program was devolved by January 1, 2001.

- With the majority of the *Provincial Offences Act* court transfers completed, transition expenditures for this program decline significantly in 2001-02.

Section II: Ontario's 2001-02 Fiscal Plan

Third Consecutive Balanced Budget

Ontario is on track for a balanced budget in 2001-02. With surpluses recorded in each of the past two years, the Province's budget will be balanced for the third year in a row.

2001-02 Fiscal Plan
($ Millions)

	Interim 2000-01	Plan 2001-02	Change $ Million	Change Per Cent
Revenue	64,927	64,270	(657)	(1.0)
Expenditure				
Programs	50,428	52,011	1,583	3.1
Restructuring and Other Charges	31	-	(31)	(100.0)
Total Program Expenditure	50,459	52,011	1,552	3.1
Capital	2,075	1,944	(131)	(6.3)
Public Debt Interest				
Provincial	8,883	8,795	(88)	(1.0)
Electricity Sector	520	520	-	-
Total Expenditure	61,937	63,270	1,333	2.2
Less: Reserve	-	1,000	1,000	-
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	202	140	(62)	(30.7)
Surplus / (Deficit)	**3,192**	**140**	**(3,052)**	**(95.6)**

* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

Source: Ontario Ministry of Finance.

- Total expenditure in 2001-02 is projected at $63,270 million, up $1,333 million from the 2000-01 level of $61,937 million, mainly due to increased base health care spending in 2001-02.

- As part of the Province's prudent budgeting practices, a $1 billion reserve has been included in the 2001-02 fiscal plan to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

2001-02 Revenue Outlook

Ontario's strong revenue performance continued in 2000-01, driven by the robust performance of the Ontario economy. Revenue is projected to decline in 2001-02, largely as a result of one-time revenues included in 2000-01.

2000-01 Revenues
($ Millions)

	Actual 1999-00	Interim 2000-01	Plan 2001-02
Taxation	45,881	49,662	48,820
Federal Payments	5,885	6,232	7,359
Income from Government Enterprises	3,708	3,968	3,424
Other Revenue	7,457	5,065	4,667
Total Revenue	62,931	64,927	64,270
Total Revenue Excluding One-Time Tax Revenue in 2000-01*	***62,931***	***63,913***	***64,270***

* Excludes one-time Personal Income Tax revenue of $764 million and Corporations Tax revenue of $250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenues for 1999-2000 than reported in the 1999-2000 Public Accounts.

Source: Ontario Ministry of Finance.

- Revenue in 2001-02 is projected at $64,270 million, down $657 million from the level recorded in 2000-01, primarily as a result of one-time revenues included in 2000-01.

- Details on the 2001-02 revenue outlook can be found in Budget Paper A, *Growth Continues: Ontario's Economic and Revenue Outlook.*

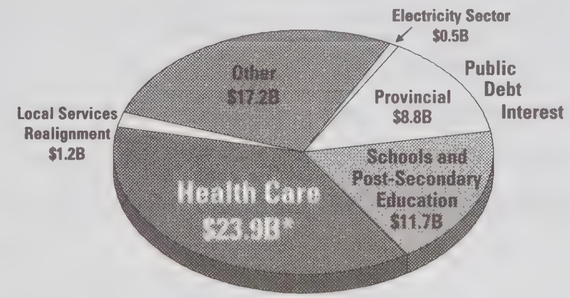
2001-02 Expenditure Outlook

The government's expenditure plan continues to focus on priority sectors, including health care and education, while improving efficiency and effectiveness in the delivery of government services.

- In 2001-02 total base health care funding, excluding Local Services Realignment land ambulance reimbursements, will be $23.9 billion.

- Provincial spending on schools and post-secondary education will be $11.7 billion in 2001-02.

Support for Priority Programs, 2001-02
Total Expenditure: $63.3 Billion

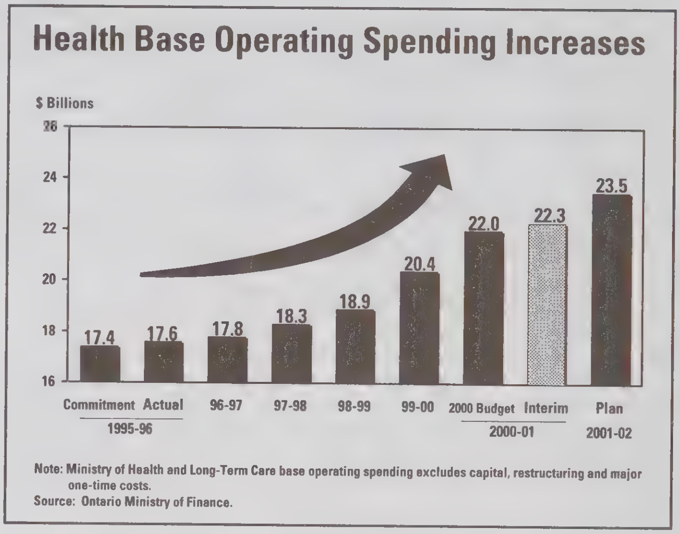


* Includes Major One-Time Health Care costs of $190 million for medical equipment.
Source: Ontario Ministry of Finance.

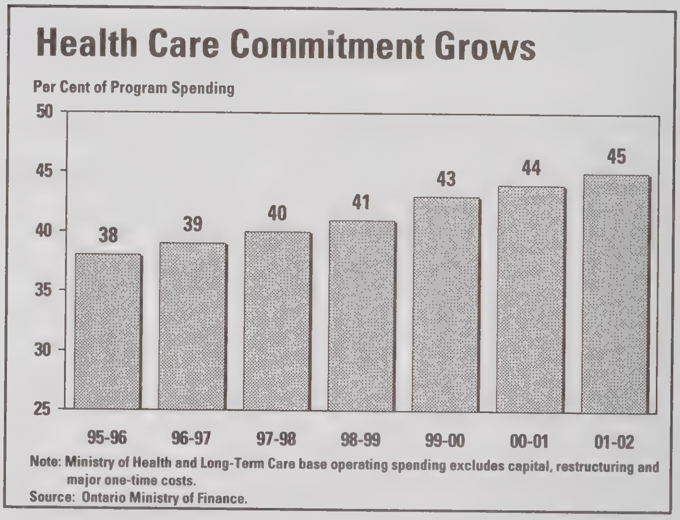
Ontario's Continued Commitment to Health Care

Since the government assumed office, Ontario's base operating spending for health care has increased steadily each year. Between 1994-95 and 2000-01, health base operating spending increased by $4.7 billion. This year, it will increase a further $1.2 billion to $23.5 billion which is equivalent to $745 per second.

- In 1999, the government made a commitment to increase health care spending by 20 per cent to $22.7 billion by 2003-04. The government will exceed this commitment in 2001-02, two years ahead of the original schedule.



- Health care spending is consuming an increasing share of government spending capacity. In 1995-96, base health care spending made up 38 per cent of government program expenditures (excludes capital and public debt interest). Health care's share grew to 44 per cent in 2000-01 and will increase to 45 per cent in 2001-02.



Increased Funding for Health Care Exceeding CHST Commitment

In September 2000, in response to the federal announcement of additional funding for health care, the Province challenged the federal government to restore the CHST and to do more to help provinces maintain quality health services. Ontario called on the federal government to commit to paying, at a minimum, 18 per cent of the nation's health and social services bill, the same level paid before it started cutting in 1994-95.

Ontario had already made a commitment to use any additional health funding provided by the Government of Canada, including amounts announced in the 1999 and 2000 federal budgets, for health care.

In December 2000, the Second Quarter Ontario Finances reported an increase, or acceleration, of health care spending of $498 million, almost half of the $1,070 million federal enhancement to be provided in 2001-02.

Ministry of Health and Long-Term Care Spending: Selected Years
($ Millions)

	Actual 1994-95	Actual 1998-99*	Interim 2000-01**	Plan 2001-02†	Change from Interim
Base Operating	17,599	18,867	21,779	23,486	1,707
Accelerated Health Care Commitment	-	-	498	-	(498)
Capital Expenditures	249	187	211	200	(11)
Total	17,848	19,054	22,488	23,686	1,198
Less: Local Services Realignment (LSR) Land Ambulance Reimbursements	0	(166)	(57)	0	57
Total Base Excluding LSR Land Ambulance Reimbursements	17,848	18,888	22,431	23,686	1,255
Increase in Base Operating since 1994-95 (includes accelerated health care commitment)			**4,678**	**5,887**	
Increase in Base Total since 1998-99			**3,543**	**4,798**	
Increase in Base Total since 2000 Budget				**1,501**	

* 1998-99 excludes $50 million in health care restructuring and $639 million in Major One-Time Operating Costs including $120 million startup for Canadian Blood Services, $200 million to compensate persons who contracted Hepatitis C through the blood system prior to 1986 or after 1990, $229 million in one-time assistance to hospitals and $90 million in Ministry and Broader Public Sector Year 2000 computer system changes.

** 2000-01 excludes Major One-Time Operating Costs of $486 million ($189 million for medical equipment, $120 million for performance bonuses to efficient hospitals and $177 million to fund hospital deficits) and Major One-Time Capital Costs of $140 million for HSRC capital grants.

† 2001-02 excludes Major One-Time Operating Costs of $190 million for medical equipment.

Source: Ontario Ministry of Finance.

- Since 1998-99, Ontario's total base health care spending (operating and capital) has increased by $4,798 million, as compared to $2,379 million in restored federal funding. Total base health care spending is $1,501 million higher than the 2000 Budget forecast of $22.2 billion, exceeding Ontario's commitment to invest all of the $1,070 million in restored 2000-01 Canada Health and Social Transfer (CHST) funding from the federal government in health care.

- Since 1994-95, Ontario's total base health care spending (operating and capital) has increased by $5,887 million. That same year, federal funding began a steady decline until 1999-2000 when the federal government finally started restoring some of the cuts it had made. In 2001-02, however, federal CHST transfers to Ontario are still lower than the amounts transferred to the Province in 1994-95.

Ensuring Accessibility in Post-Secondary Education

The government is taking action to ensure that every willing and qualified Ontario student secures a place in a post-secondary education program. By 2003-04, enrolment in Ontario's colleges and universities will increase significantly as a result of secondary-school reform, population growth and a larger proportion of the population pursuing a post-secondary education.

To ensure that post-secondary institutions have the necessary resources to provide students with a high-quality education, the government will increase operating grants to colleges and universities by an estimated $293 million by 2003-04, directly proportional to the projected enrolment growth. This multi-year funding commitment will allow institutions to hire new faculty and plan for the future. A portion of operating grants will be distributed based on performance and accountability measures to encourage efficiency in the post-secondary education sector.

Grants to Colleges and Universities
($ Millions)

	Actual 1999-00	Interim 2000-01	Plan 2001-02
Operating Grants to Colleges and Universities	2,291	2,364	2,394
Access to Opportunities Program (ATOP)	78	87	86
Total Operating Grants to Colleges and Universities	2,369	2,451	2,480
Capital	1,028	202	48

Source: Ontario Ministry of Finance.

- Planned operating grant increases will complement significant capital investments already made. In 1999-2000, through SuperBuild, the Province invested over $1 billion in colleges and universities. Combined with partner contributions, the total investment of $1.8 billion will enable the creation of more than 73,000 new student spaces.

- To help students manage the costs of their education, the Ontario Student Loan Program will be harmonized with the Canada Student Loan Program. In addition, the government will introduce legislation to establish an entity to facilitate financing for Ontario Student Loans on the best terms possible for taxpayers and for students.

- These initiatives build on previous measures to assist students such as the Ontario Student Opportunities Trust Fund, which raised $600 million to assist 185,000 students over 10 years, enhancements to the Ontario Graduate Scholarship awards, and Aiming for the Top scholarships, which have helped 4,000 high school students finance tuition costs this academic year.

- The government will provide $10 million over the next six years to establish the Premier's Platinum Awards, which will reward the very best senior researchers in the province. In addition to enhancing the government's existing $85 million commitment under the highly successful Premier's Research Excellence Awards program, the Platinum Awards underscore to the global research and development community Ontario's commitment to research excellence and support for top research talent.

Ontario Institute of Technology

- The government has provided $60 million in capital funding for the establishment of Ontario's newest university, the Ontario Institute of Technology, in Durham Region. Responding to the skills needs of the global and local marketplace, this university will focus on preparing students for careers that call for both practical skills and theoretical grounding.

- The Ontario Institute of Technology will prepare students for careers in such important fields as the applied health sciences, business and information technology and advanced manufacturing, and will give students flexibility by letting them move seamlessly between college and university programs.

Training and Innovation

- The government will provide new funding to double the number of entrants to apprenticeship programs in the skilled trades from 11,000 in 1998-99 to 22,000. When the program is fully implemented, funding will amount to $33 million annually. In addition, $50 million in capital funding will be provided over five years for an Apprenticeship Enhancement Fund to upgrade equipment and facilities in colleges.

Support for Health Care, Charities, Communities and the Agricultural Sector

Legislation requires that net provincial revenue generated from charity casinos and race track slot machines support priority services, including health care, the problem gambling program, and funding for charitable organizations through the Ontario Trillium Foundation.

Support for Health Care, Charities and Problem Gambling Program
($ Millions)

	Interim 2000-01	Plan 2001-02
Health Care	556	529
Ontario Trillium Foundation	100	100
Problem Gambling Program	17	21
Total	**673**	**650**

Source: Ministry of Tourism, Culture and Recreation.

Provincial revenues from charity casinos and slot machines at race tracks are used as follows:

- In 2001-02, $529 million of provincial revenue from charity casinos and slot machines at race tracks will be dedicated to support health care priorities.

- The Ontario Trillium Foundation is provided with $100 million annually for distribution to charitable and not-for-profit organizations throughout the province. The Foundation's Annual Report identifies the charities and not-for-profit organizations that have received funding.

- Two per cent of gross slot machine revenue is allocated to support problem gambling treatment, prevention and research. In 2001-02, this is estimated to be $21 million.

Other beneficiaries of charity casinos and slot machines at race tracks include:

- Twenty per cent of gross race track slot machine revenue is provided directly to the horse-racing industry. For 2001-02, this support is estimated at $228 million. Since its inception, the slot machine initiative has preserved and enhanced the 45,000 jobs in Ontario's horse-racing industry, a key part of the Province's agricultural sector.

- A portion of gross slot machine revenue, estimated at $55 million, is also being provided to benefit municipalities that host charity casinos and slot operations at race tracks, including funding to help offset any additional local infrastructure and service costs.

Section III: Medium-Term Outlook

Ontario's medium-term forecast is projecting that the budget will remain balanced into the medium term, consistent with the requirements of the *Balanced Budget Act, 1999.*

Medium-Term Fiscal Outlook
($ Billions)

	Actual 1999-00	Interim 2000-01	Plan 2001-02	Forecast 2002-03
Revenue	62.9	64.9	64.3	65.5
Expenditure				
Programs	47.4	50.4	52.0	53.2
Restructuring and Other Charges	0.2	-	-	-
Total Program Expenditure	47.6	50.5	52.0	53.2
Capital	4.8	2.1	1.9	2.0
Public Debt Interest				
Provincial	9.0	8.9	8.8	8.8
Electricity Sector	0.5	0.5	0.5	0.5
Total Expenditure	61.9	61.9	63.3	64.5
Less: Reserve	-	-	1.0	1.0
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	(0.4)	0.2	0.1	0.7
Surplus / (Deficit)	**0.7**	**3.2**	**0.1**	**0.7**

Note: Numbers may not add due to rounding.

* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

Source: Ontario Ministry of Finance.

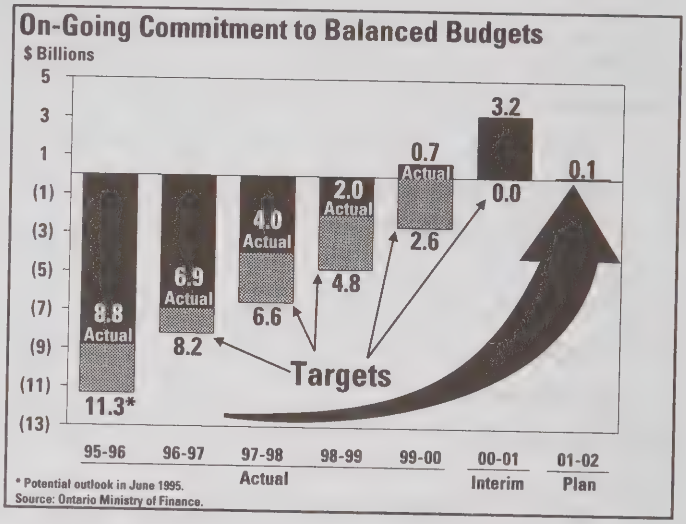
- The 2001-02 Budget Plan and 2002-03 forecast each include a $1 billion reserve to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. If the reserve is not required, it will be applied to debt reduction.

Section IV: Ontario's Fiscal Record

Balanced Budgets

In November 1995 the government set out the Balanced Budget Plan of steadily declining annual deficit targets, culminating in a balanced budget in 2000-01. The deficit-reduction targets were overachieved each year of the Plan, and the budget was balanced in 1999-2000, one year ahead of schedule.

- Deficit reduction targets have been overachieved each year due to prudent and realistic fiscal planning, the government's economic and fiscal policies, and a strong economy.



- Eliminating the deficit and balancing the budget was a key government commitment and is an essential component of a strategy that focuses on economic growth and competitiveness. By balancing the budget the government encourages economic growth by freeing up resources for private investment.

Program Spending as a Share of the Economy

The government has made a commitment to control spending. This is necessary to ensure that the Provincial budget remains balanced, even in times of economic uncertainty.

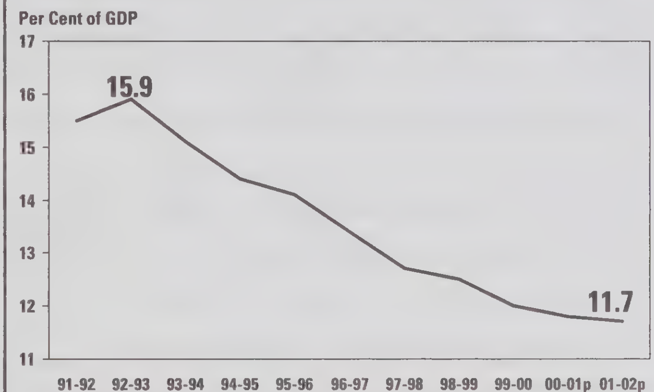
In 2001-02, program spending as a share of the economy is projected to decline to 11.7 per cent, down from a peak of 15.9 per cent in 1992-93.

- At 11.7 per cent, program spending as a per cent of provincial Gross Domestic Product (GDP) is at its lowest level since the early 1980s.

- This trend reflects the government's commitment to smaller, more efficient government.

- Reducing the size and cost of government means better services at a lower cost, more accountability and savings for taxpayers.

Program Spending as a Per Cent of GDP



p = projection
Sources: Ontario Ministry of Finance and Statistics Canada.

- This government requires each Ministry to develop comprehensive business plans each year to focus on core services and increase accountability.

Section V: Next Steps in Paying Down Debt

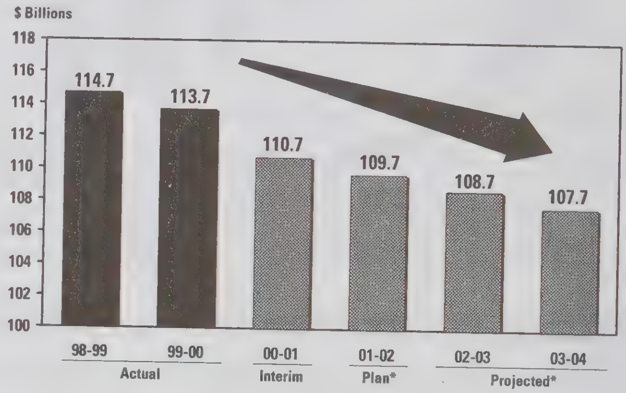
Net Provincial Debt

In the 2000 Budget the government made a commitment to reduce Net Provincial Debt by at least $5 billion during the current term of office. With a contribution to debt reduction of $1.0 billion in 1999-2000 and $3.0 billion in 2000-01, the government has already met 80 per cent of its commitment in the first two years.

The $3.0 billion contribution to debt reduction in 2000-01 is possible because of the fiscally prudent and cautious approach taken in the 2000 Budget, and the strong growth in the Ontario economy, which increased revenues above the level projected in last year's Budget.

- The 2000-01 payment of $3.0 billion is the largest reduction of debt in the Province's history. The government remains committed to applying the $1 billion reserve, if not needed, as well as any surpluses, to pay down Net Provincial Debt.

Projected Net Provincial Debt



* Assumes $1 billion reserve is available for net debt reduction. Numbers have been rounded.
Source: Ontario Ministry of Finance.

- Net Provincial Debt is projected at $110.7 billion as at March 31, 2001.

- Ontario's recent rating improvements, including the upgrade by Standard and Poor's and the "positive" outlook by Moody's Investors Service reflect, in part, the government's commitment to debt reduction. The upgrade from Standard and Poor's is the first the Province has received from the agency since 1988.

- In their report upgrading Ontario to AA, Standard and Poor's noted "... the expectation of continued strong budgetary performance which will allow the government to continue nominal debt reduction beyond 2001, thereby allowing progressive easing of Ontario's debt burden through the medium term." Similarly, Moody's Investors Service stated that: "a trend of improving fiscal performance is beginning to produce budget surpluses and offers the promise of debt reduction over the medium term," which justifies a "positive" outlook.

Electricity Debt

In addition to its commitment to reduce Net Provincial Debt, the government has developed a long-term plan to retire the obligations of the Ontario Electricity Financial Corporation (OEFC) through the ratepayer and not the taxpayer. Based on the conservative estimates used in the preparation of the plan, the Province anticipates that OEFC's obligations will be met between 2010 and 2017.

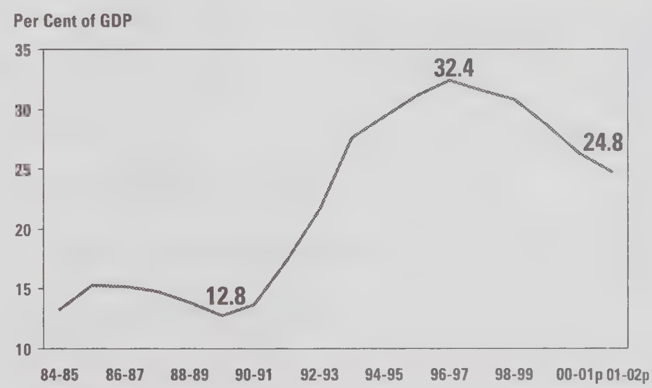
Based on projected results for 2000-01 and estimated results for 2001-02 and 2002-03, the estimated debt of OEFC will be reduced by over $1 billion over these three years. Further details can be found in Budget Paper D, *Ontario's Financing Plan*.

Net Provincial Debt to GDP

With four consecutive deficits in excess of $10 billion annually, Ontario's debt rose dramatically in the early 1990s. Net Provincial Debt as a per cent of GDP more than doubled from 12.8 per cent in 1989-90 to 32.4 per cent in 1996-97.

- Strong economic growth, sound fiscal management and two years of budget surpluses have reduced Net Provincial Debt to 24.8 per cent of GDP in 2001-02.

Net Provincial Debt as a Per Cent of GDP Falling



p=projection
Sources: Ontario Ministry of Finance and Statistics Canada.

Conclusion

The Province's fiscal successes have been the result of cautious and prudent planning and strong stewardship of Ontario's financial resources. Realistic deficit-reduction targets were put in place, and in each year targets were overachieved.

To date, the Province has achieved 80 per cent of its $5 billion Net Provincial Debt reduction target.

Realistic fiscal planning combined with sound financial management has yielded significant dividends to Ontario taxpayers, and will ensure continued benefits to future generations.

LIST OF FINANCIAL TABLES AND GRAPHS

Statement of Financial Transactions
($ Millions)

Table B1

	Actual 1997-98	**Actual 1998-99**	**Actual 1999-00**	**Interim 2000-01**	**Plan 2001-02**
Revenue	52,518	55,786	62,931	64,927	64,270
Expenditure					
Programs	43,709	46,509	47,369	50,428	52,011
Restructuring and Other Charges	1,595	76	211	31	-
Total Program Expenditure	45,304	46,585	47,580	50,459	52,011
Capital	2,451	2,187	4,832	2,075	1,944
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,883	8,795
Electricity Sector	-	-	520	520	520
Total Expenditure	56,484	57,788	61,909	61,937	63,270
Less: Reserve	-	-	-	-	1,000
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	-	-	(354)	202	140
Surplus / (Deficit)	**(3,966)**	**(2,002)**	**668**	**3,192**	**140**
Net Provincial Debt**	**112,735**	**114,737**	**113,715**	**110,725**	**110,725**

* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

** Net Provincial Debt represents total Liabilities less Financial Assets.

Revenue
($ Millions)

Table B2

	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Plan 2001-02
Taxation Revenue					
Personal Income Tax	16,293	17,190	17,617	18,975	18,010
Retail Sales Tax	10,843	11,651	12,879	13,757	14,340
Corporations Tax	7,456	7,447	8,095	9,130	8,340
Employer Health Tax	2,851	2,882	3,118	3,455	3,620
Gasoline Tax	2,028	2,068	2,154	2,242	2,300
Fuel Tax	563	592	665	651	655
Tobacco Tax	425	447	481	495	620
Land Transfer Tax	565	470	565	630	670
Mining Profits Tax	40	23	50	90	55
Preferred Share Dividends Tax	60	50	33	40	56
Other Taxation	145	257	224	197	154
	41,269	**43,077**	**45,881**	**49,662**	**48,820**
Government of Canada					
Canada Health and Social Transfer (CHST)	3,970	3,553	3,967	4,137	5,630
CHST Supplements	-	-	755	758	380
Social Housing	387	358	466	550	530
Student Assistance	18	64	170	40	64
Indian Welfare Services	87	155	85	118	117
Young Offenders Act	59	57	58	56	55
Bilingualism Development	49	55	65	64	64
Employability Assistance for People with Disabilities	53	71	65	58	39
Canada-Ontario Infrastructure Works	116	71	19	-	-
Other	359	131	235	451	480
	5,098	**4,515**	**5,885**	**6,232**	**7,359**
Income from Government Enterprises					
Ontario Lottery and Gaming Corporation	1,485	1,764	1,924	2,150	2,000
Liquor Control Board of Ontario	745	809	845	875	890
Ontario Power Generation Inc. and Hydro One Inc.	-	-	903	918	524
Other	61	(26)	36	25	10
	2,291	**2,547**	**3,708**	**3,968**	**3,424**
Other Revenue					
Vehicle and Driver Registration Fees	820	890	911	930	925
Other Fees and Licences	548	661	667	680	685
Liquor Licence Revenue	506	519	539	525	518
Royalties	286	289	345	219	240
Sales and Rentals	582	640	2,133	585	300
Fines and Penalties	174	50	41	37	40
Local Services Realignment - Reimbursement of Expenditure	519	2,109	1,678	1,389	1,223
Miscellaneous	425	489	1,143	700	736
	3,860	**5,647**	**7,457**	**5,065**	**4,667**
Total Revenue	**52,518**	**55,786**	**62,931**	**64,927**	**64,270**
Total Revenue Excluding One-Time Tax Revenue in 2000-01*			***62,931***	***63,913***	***64,270***

* Excludes one-time Personal Income Tax revenue of $764 million and Corporations Tax revenue of $250 million in 2000-01. These revenues are included in 2000-01 to reflect higher estimates of tax revenues for 1999-2000 than reported in the 1999-2000 Public Accounts.

Operating Expenditure

($ Millions)

Table B3

Ministry	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Plan 2001-02
Agriculture, Food and Rural Affairs	306	309	347	406	446
One-Time and Extraordinary	-	-	-	233	-
Farm Tax Rebate	158	-	-	-	-
Attorney General	683	753	846	971	979
Board of Internal Economy	113	117	154	117	117
Citizenship	73	82	95	78	78
Community and Social Services	8,067	7,659	7,512	7,638	7,756
Consumer and Business Services	92	136	134	157	168
Correctional Services	531	540	563	595	610
Economic Development and Trade	138	87	92	93	106
Education	4,715	7,719	7,704	8,096	8,471
School Board Transition/Phase-in Funding	224	-	268	-	-
Teachers' Pension Plan (TPP)	1,443	67	(363)	(779)	(230)
Energy, Science and Technology	69	83	429	469	284
Environment	142	162	174	190	215
Executive Offices	14	17	19	22	21
Finance - Own Account	691	998	548	896	773
Public Debt Interest					
Provincial	8,729	9,016	8,977	8,883	8,795
Electricity Sector	-	-	520	520	520
Community Reinvestment Fund	169	678	521	561	561
Provision for Electricity Sector	-	-	383	398	4
Health and Long-Term Care	18,283	18,867	20,373	21,779	23,486
Accelerated Health Care Commitment	-	-	-	498	-
Health Care Restructuring	532	50	-	-	-
Major One-Time Health Care Costs	113	639	286	486	190
Intergovernmental Affairs	5	4	4	5	5
Labour	117	108	101	105	113
Management Board Secretariat	359	353	147	224	346
Retirement Benefits	(86)	(219)	(165)	(197)	30
Contingency Fund	-	-	-	-	654
OPS Employee Severance (Net)	(159)	-	88	-	-
Special Circumstances Fund	-	180	-	-	-
Municipal Affairs and Housing	2,395	1,611	1,665	1,819	1,214
Municipal Capital and Operating Restructuring Fund	23	-	-	-	-
Municipal Restructuring Fund	71	-	-	-	-
Native Affairs Secretariat	12	12	15	18	15
Natural Resources	463	531	460	413	407
Northern Development and Mines	62	82	122	113	179
Office of Francophone Affairs	2	3	3	4	5
Solicitor General	646	756	816	905	932
Tourism, Culture and Recreation	205	286	367	361	392
Training, Colleges and Universities	3,052	3,281	3,285	3,236	3,365
Transportation	702	607	587	549	519
Restructuring	50	(17)	-	-	-
TTC Five Year Capital Transfer/Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	829	44	-	-	-
Year-End Savings	-	-	-	-	(200)
Total Operating Expenditure	**54,033**	**55,601**	**57,077**	**59,862**	**61,326**

Note: 1997-98 to 1999-2000 ministry totals restated to reflect recently announced government structure.

Capital Expenditure **Table B4**
($ Millions)

Ministry	Actual 1997-98	Actual 1998-99	Actual 1999-00	Interim 2000-01	Plan 2001-02
Agriculture, Food and Rural Affairs	1	1	1	1	51
Attorney General	47	73	62	40	55
Community and Social Services	31	27	20	14	38
Correctional Services	5	30	124	95	98
Education	267	229	52	4	16
Energy, Science and Technology	-	273	656	80	76
Environment	98	19	1	4	13
Water Protection Fund	-	15	160	17	5
Finance	6	4	7	7	13
SuperBuild Millennium Partnerships	-	-	-	4	100
Contingency Fund	-	-	-	-	100
Health and Long-Term Care	106	187	338	211	200
Major One-Time Capital Costs	-	-	1,004	140	-
Management Board Secretariat	80	39	13	20	37
Municipal Affairs and Housing	152	62	(10)	14	8
Native Affairs Secretariat	14	13	7	5	7
Natural Resources	151	73	96	65	99
Northern Development and Mines	173	177	212	312	327
Solicitor General	7	-	-	4	9
Tourism, Culture and Recreation	3	2	231	27	68
Training, Colleges and Universities	117	71	1,028	205	51
Transportation	1,193	892	830	806	673
Year-End Savings	-	-	-	-	(100)
Total Capital Expenditure	**2,451**	**2,187**	**4,832**	**2,075**	**1,944**

Note: 1997-98 to 1999-2000 ministry totals restated to reflect recently announced government structure.

Ten-Year Review of Selected Financial and Economic Statistics
($ Millions)

	Modified Cash Basis	PSAB Basis	
	1992-93	1993-94	1994-95
Financial Transactions			
Revenue	41,807	43,674	46,039
Expenditure			
Programs	45,350	44,195	44,505
Restructuring and Other Charges	-	-	-
Total Program Expenditure	45,350	44,195	44,505
Capital	3,592	3,552	3,831
Public Debt Interest			
Provincial	5,293	7,129	7,832
Electricity Sector	-	-	-
Total Expenditure	54,235	54,876	56,168
Less: Reserve	-	-	-
Add: Net Impact of Electricity Restructuring to be Recovered from Ratepayers*	-	-	-
Surplus / (Deficit)	**(12,428)**	**(11,202)**	**(10,129)**
Net Provincial Debt**	**61,796**	**80,599**	**90,728**
Gross Domestic Product (GDP) at Market Prices	285,101	291,733	309,031
Personal Income	253,773	256,082	260,617
Population - July (000s)	10,570	10,690	10,828
Net Provincial Debt per Capita (dollars)	5,846	7,540	8,379
Personal Income per Capita (dollars)	24,009	23,955	24,069
Total Expenditure as a per cent of GDP	19.0	18.8	18.2
Public Debt Interest as a per cent of Revenue†	12.7	16.3	17.0
Net Provincial Debt as a per cent of GDP	21.7	27.6	29.4

* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

** Net Provincial Debt represents total Liabilities less Financial Assets.

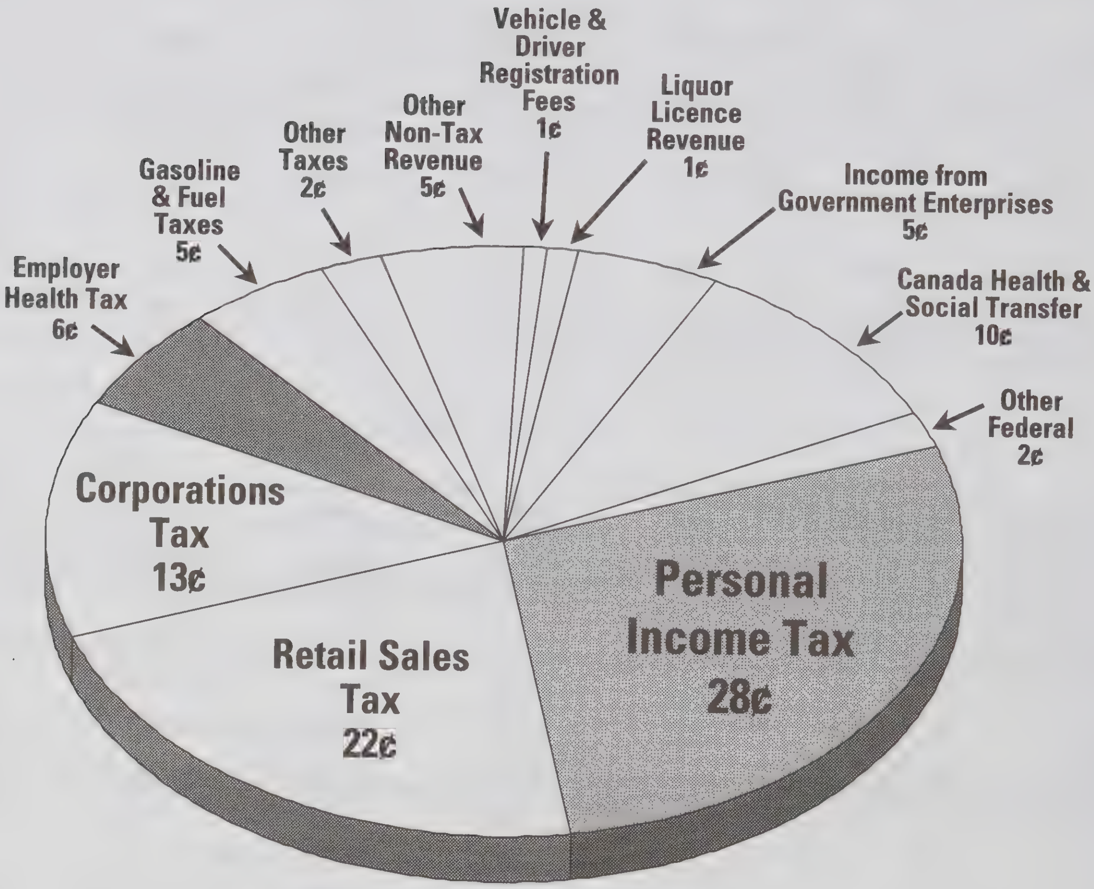
† Starting in 1999-2000, Public Debt Interest includes $520 million related to the Province's equity investment in the electricity sector.

Sources: Ontario Ministry of Finance and Statistics Canada.

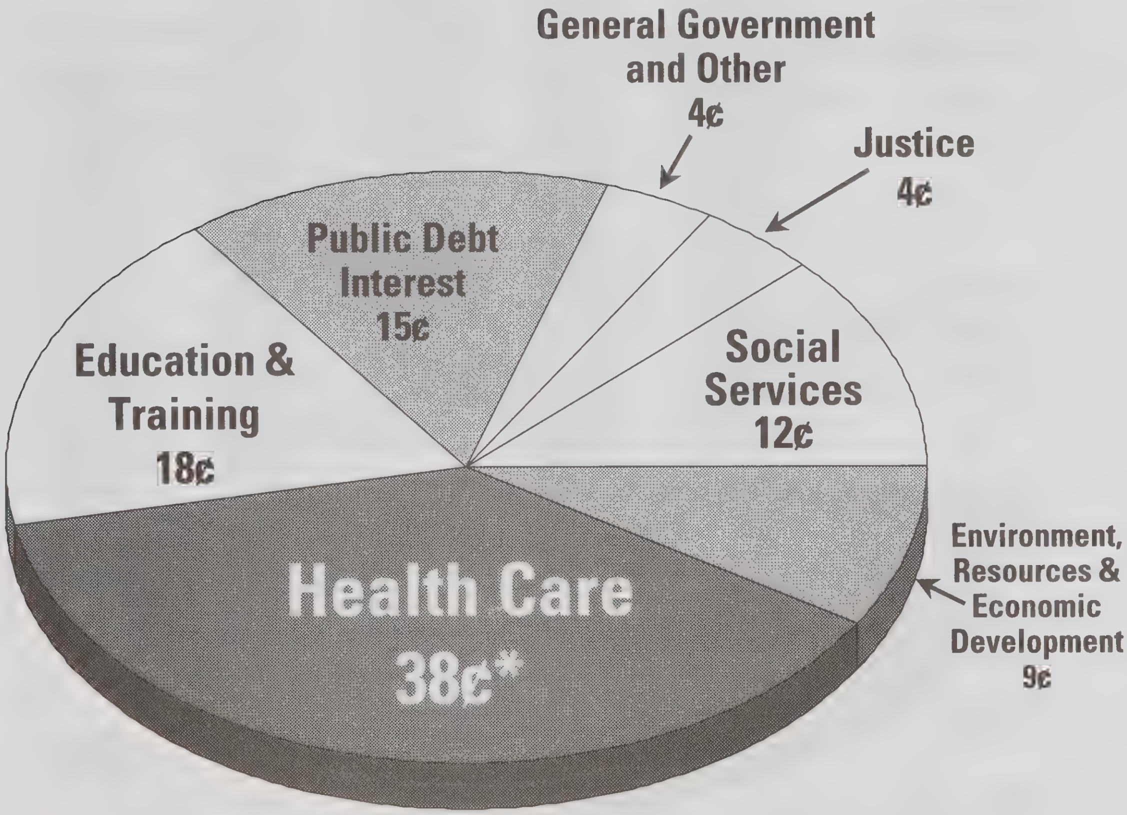
Table B5

			PSAB Basis			
				Actual	Interim	Plan
1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
49,473	49,450	52,518	55,786	62,931	64,927	64,270
45,309	42,956	43,709	46,509	47,369	50,428	52,011
854	2,180	1,595	76	211	31	-
46,163	45,136	45,304	46,585	47,580	50,459	52,011
3,635	2,612	2,451	2,187	4,832	2,075	1,944
8,475	8,607	8,729	9,016	8,977	8,883	8,795
-	-	-	-	520	520	520
58,273	56,355	56,484	57,788	61,909	61,937	63,270
-	-	-	-	-	-	1,000
-	-	-	-	(354)	202	140
(8,800)	**(6,905)**	**(3,966)**	**(2,002)**	**668**	**3,192**	**140**
101,864	**108,769**	**112,735**	**114,737**	**113,715**	**110,725**	**110,725**
327,246	335,843	357,300	372,630	396,775	428,164	446,019
271,361	276,290	289,312	303,737	317,766	338,147	353,427
10,965	11,101	11,249	11,386	11,517	11,669	11,816
9,290	9,798	10,022	10,077	9,874	9,489	9,371
24,748	24,889	25,719	26,676	27,591	28,978	29,911
17.8	16.8	15.8	15.5	15.6	14.5	14.2
17.1	17.4	16.6	16.2	15.1	14.5	14.5
31.1	32.4	31.6	30.8	28.7	25.9	24.8

The Budget Dollar
Revenue
2001-02

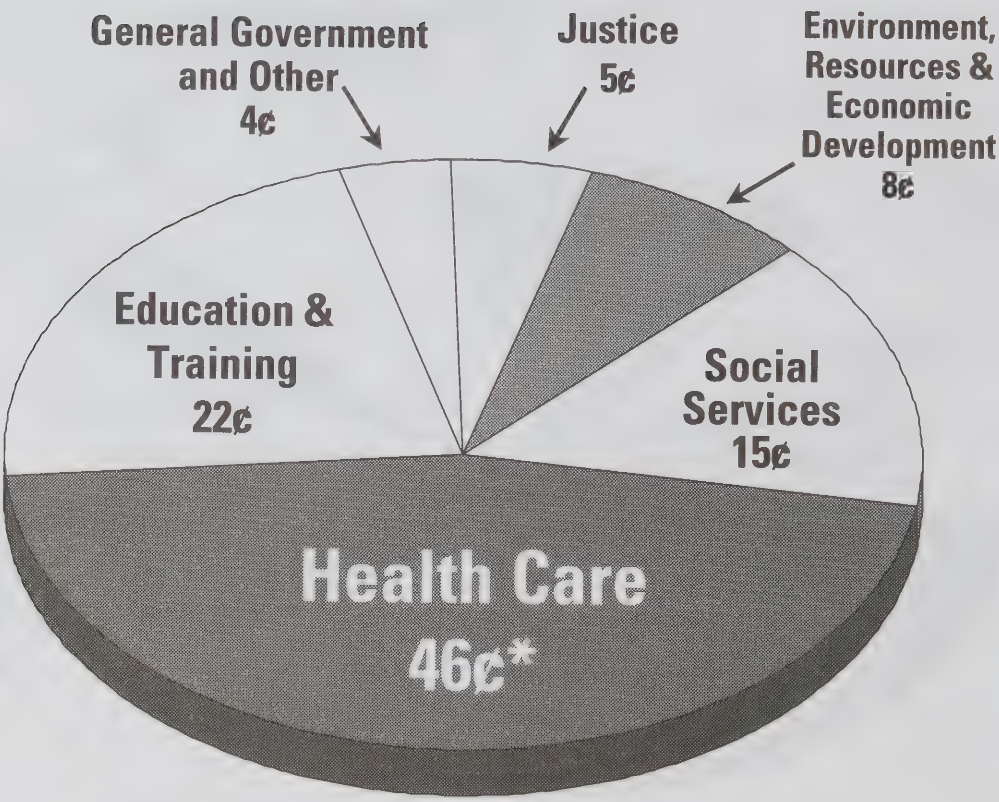


The Budget Dollar Total Expenditure 2001-02



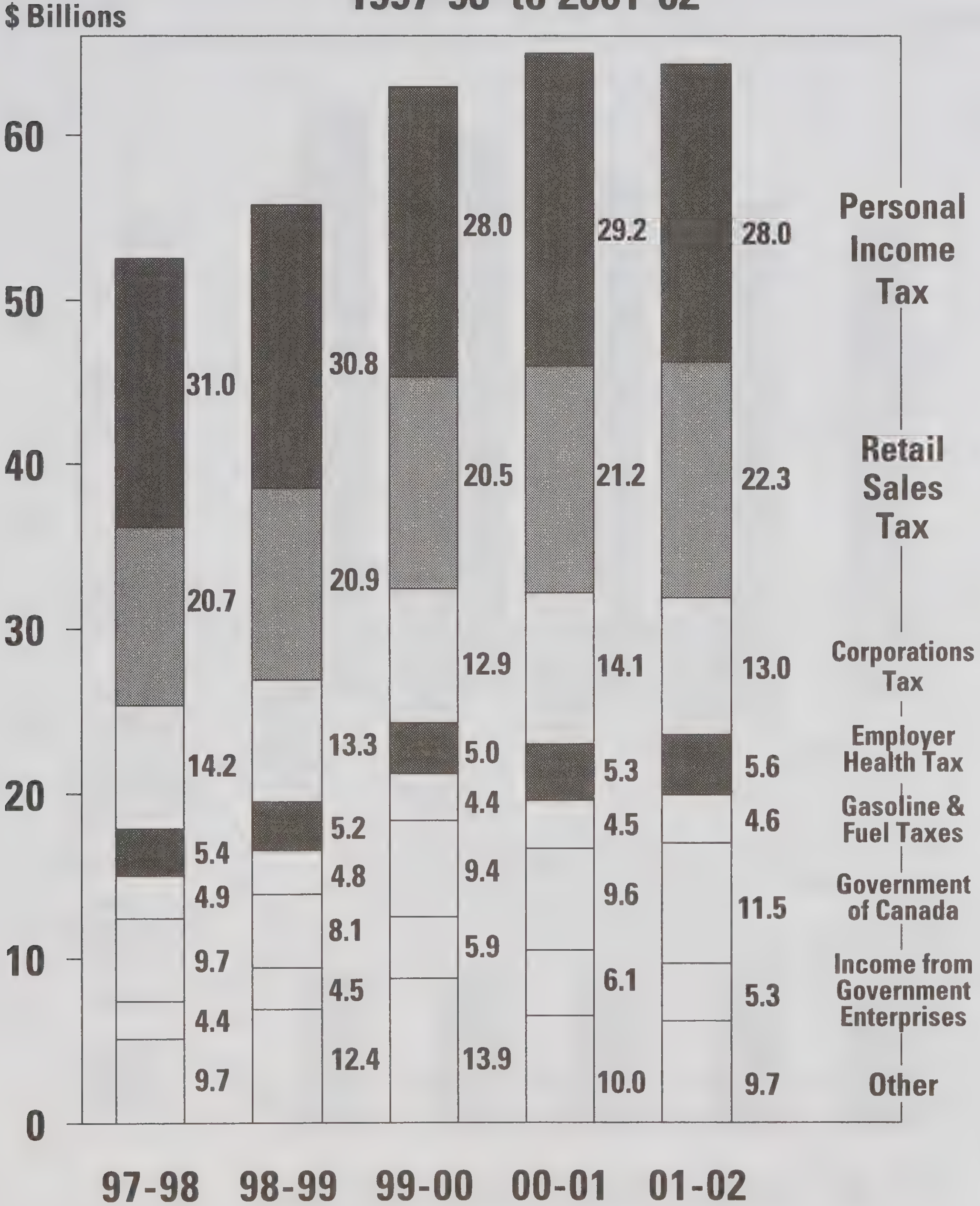
* Includes Major One-Time Health Care Spending.

The Budget Dollar
Program Expenditure
2001-02

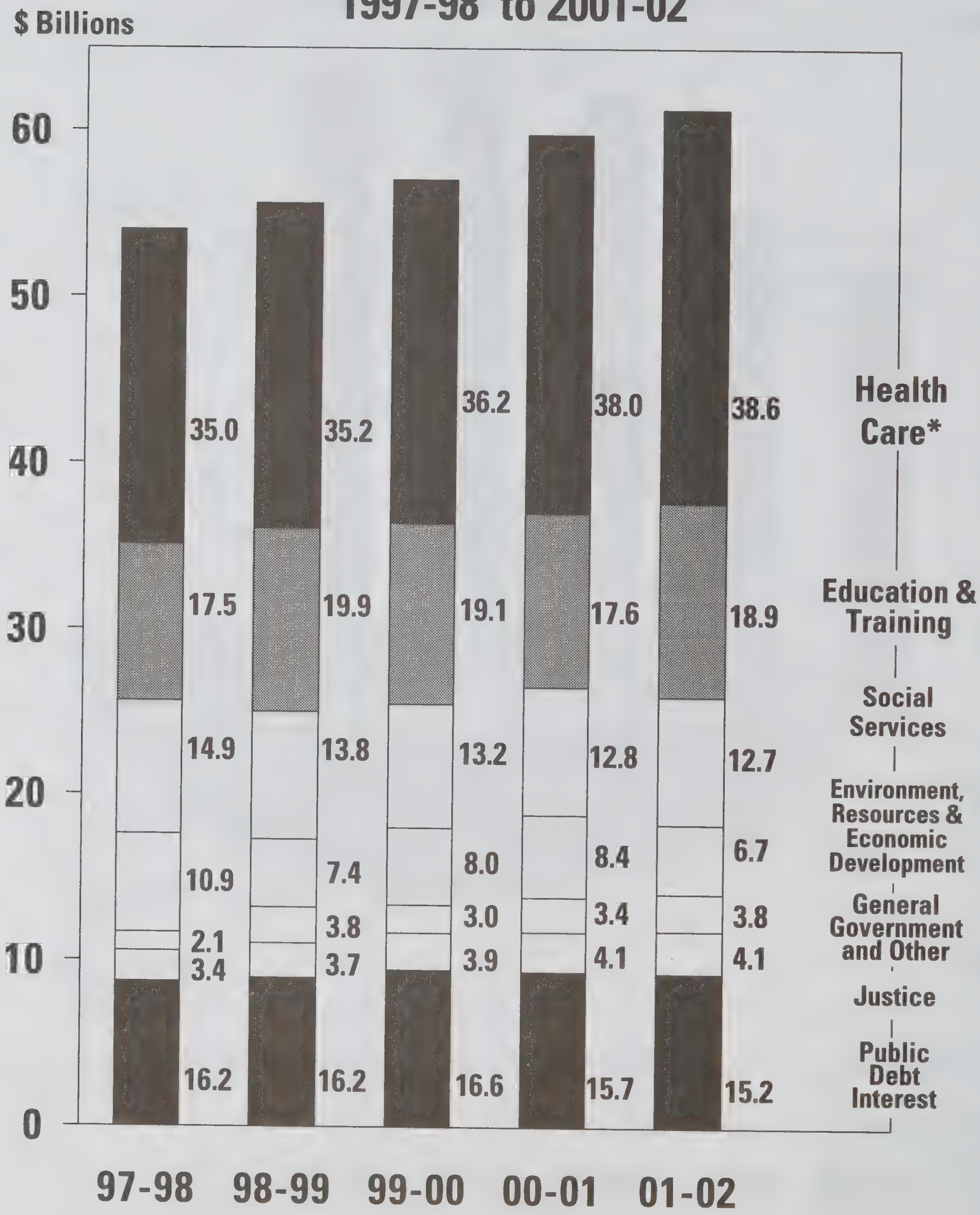


* Includes Major One-Time Health Care Spending; excluding these costs, the health care share is 45 cents.

Revenue Sources by Category
Per Cent of Total
1997-98 to 2001-02

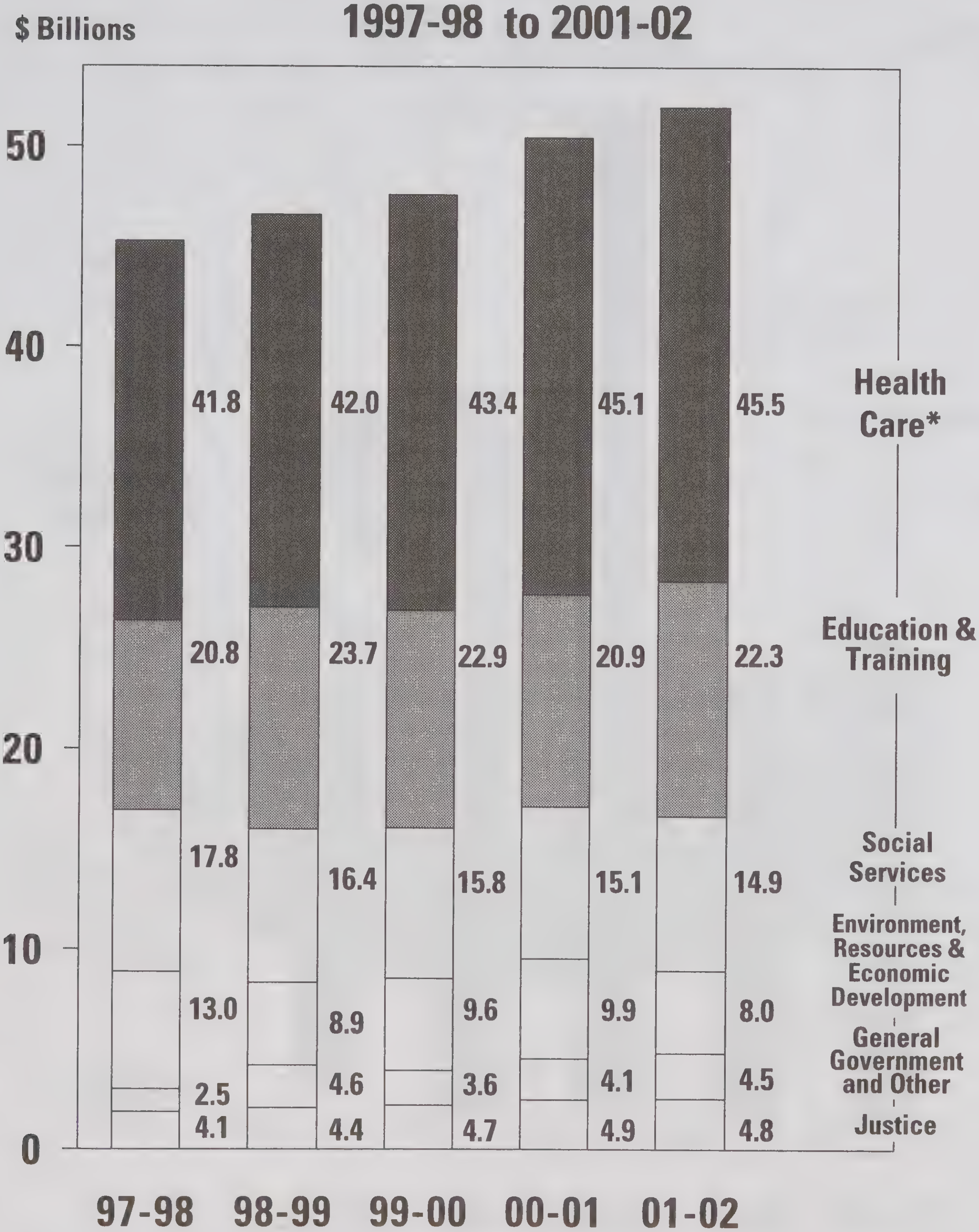


Operating Expenditure by Category Per Cent of Total 1997-98 to 2001-02



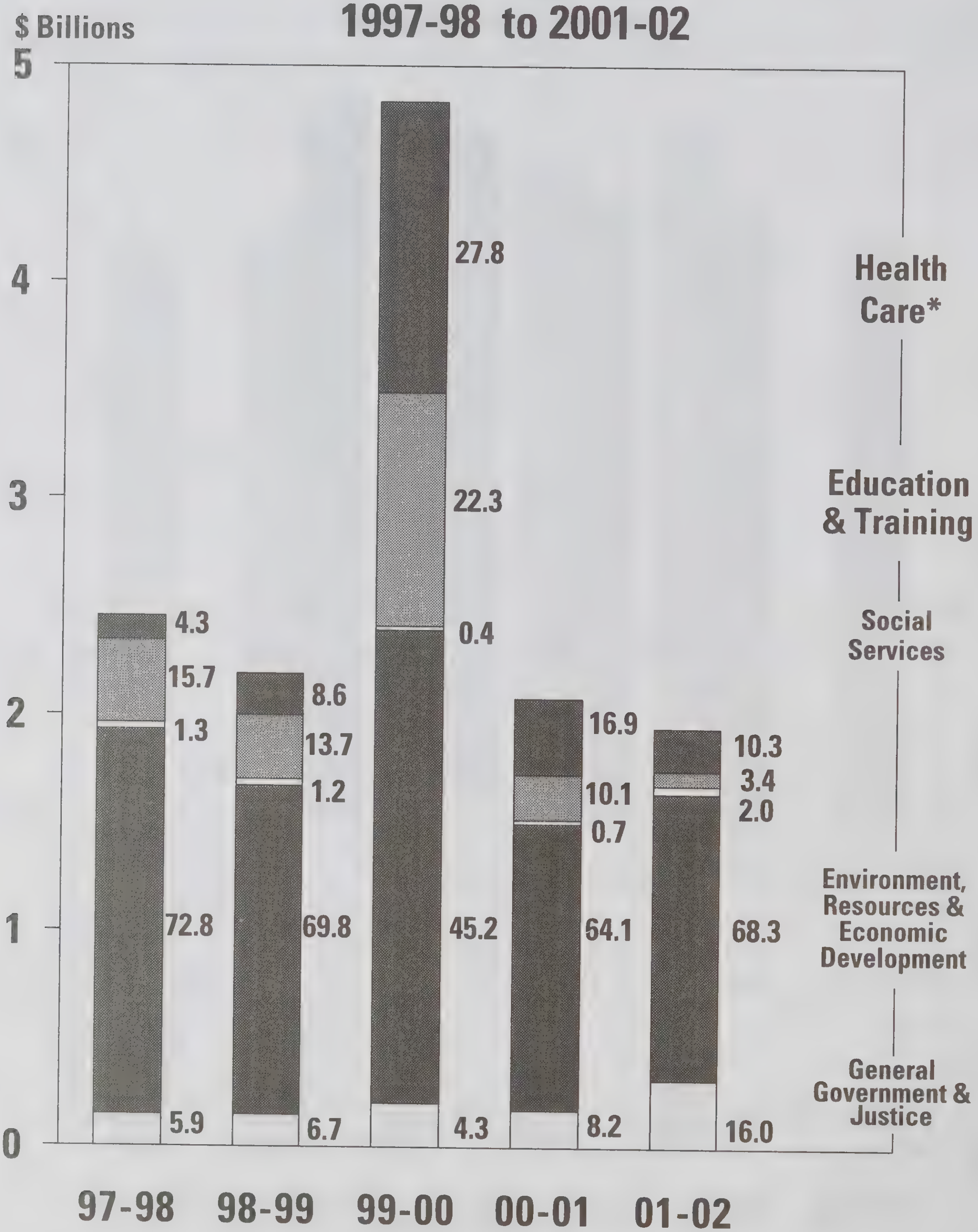
* Includes Major One-Time Health Care Spending.

Program Expenditure by Category Per Cent of Total 1997-98 to 2001-02



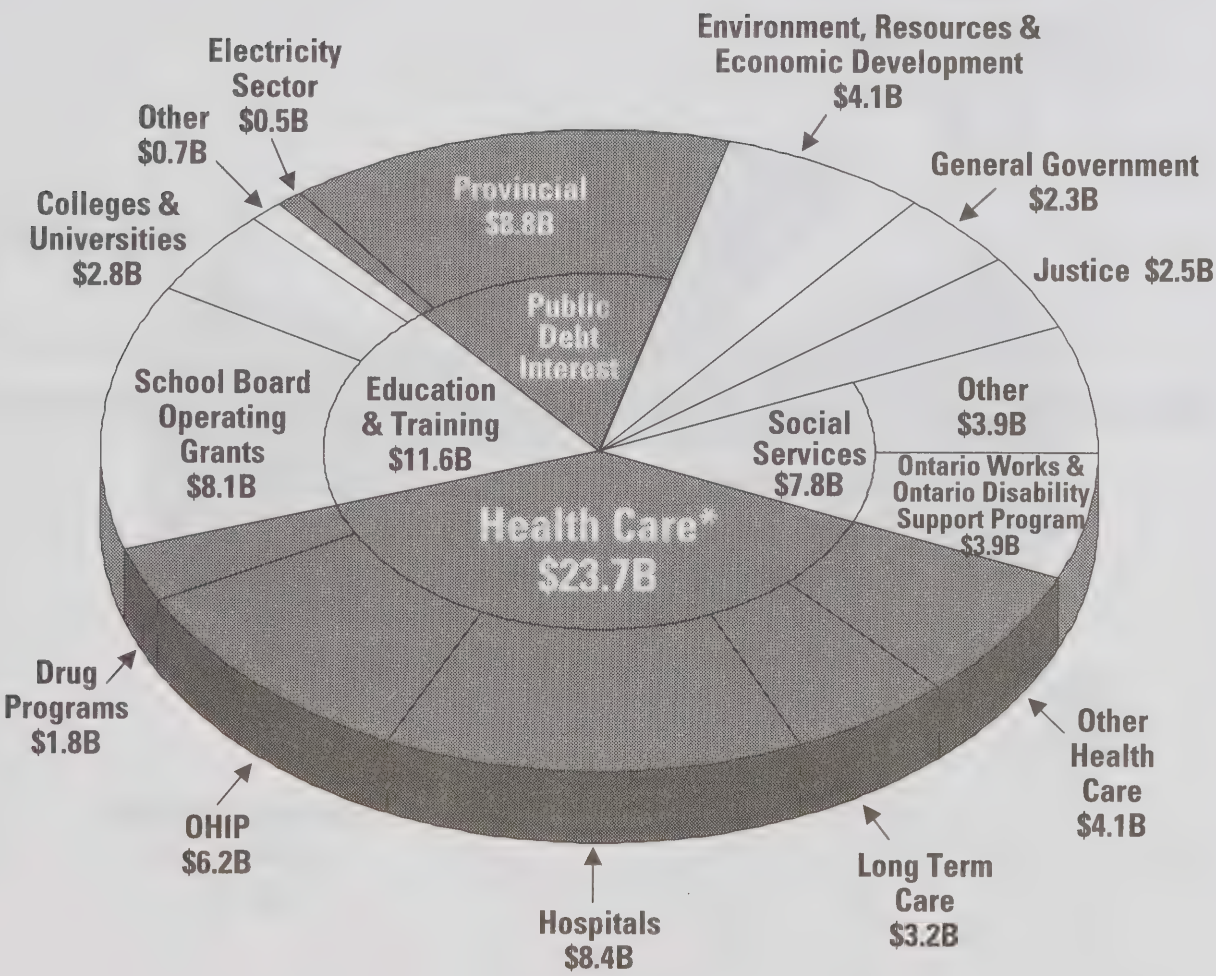
* Includes Major One-Time Health Care Spending.

Capital Expenditure by Category Per Cent of Total 1997-98 to 2001-02



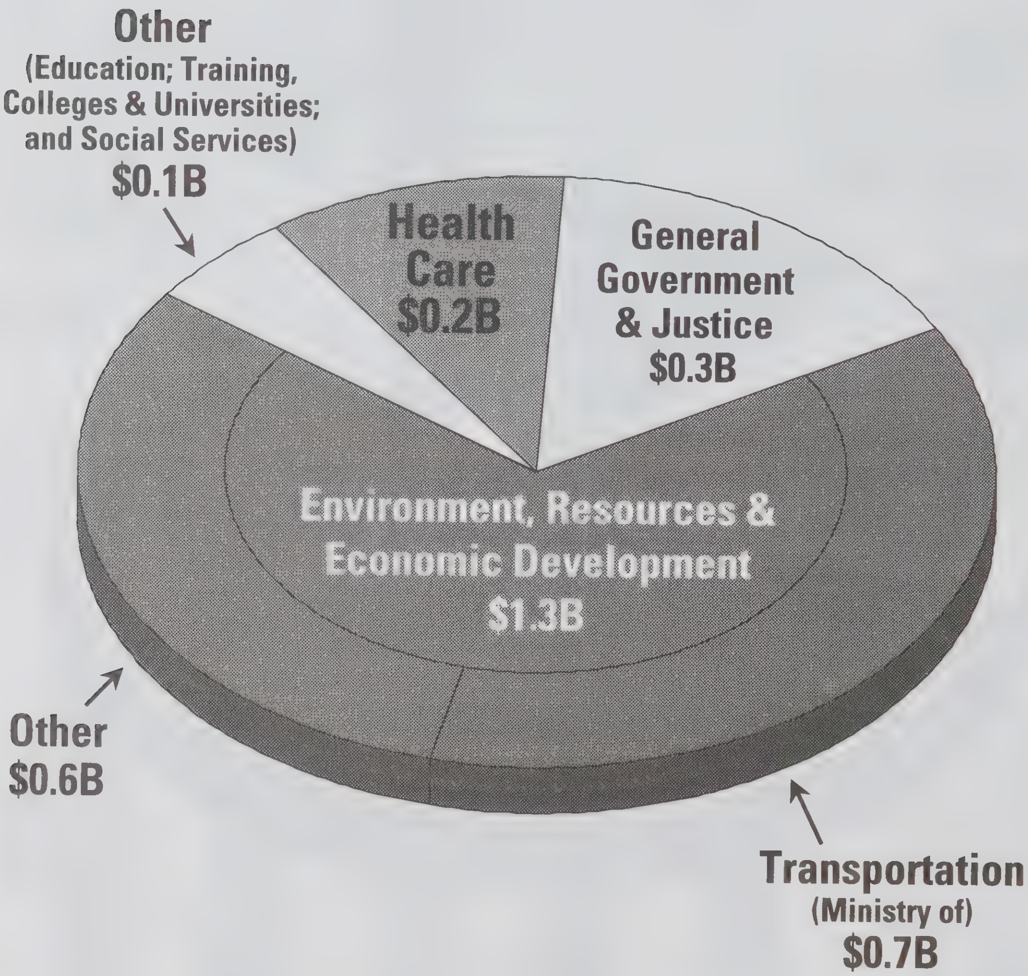
* Includes Major One-Time Health Care Spending.

2001-02 Operating Expenditure by Category
($ Billions)



* Includes Major One-Time Health Care costs of $190 million for medical equipment.

2001-02 Capital Expenditure by Category
($ Billions)



PAPER C

Tax Cuts: Keeping Promises, Creating Opportunities

Ontario's Tax Cut Strategy *

The Ontario Government has reduced taxes significantly over the past five years. Significant additional cuts are being proposed and will continue to be made in the future.

Tax Cuts Now and Low Taxes in the Future

✓ Making taxes competitive now

✓ Taxpayer protection to guard against future increases

✓ Balanced budgets to ensure we live within our means

Tax cuts are an important part of a balanced program to promote healthy economic growth, together with expenditure management and debt reduction. Today, balanced budget and taxpayer protection legislation guarantees the people of Ontario that their government is no longer running deficits and that tax increases are a thing of the past. They also have the government's continued commitment to cutting taxes as a way of maintaining and improving our economy and our competitive position in a global marketplace.

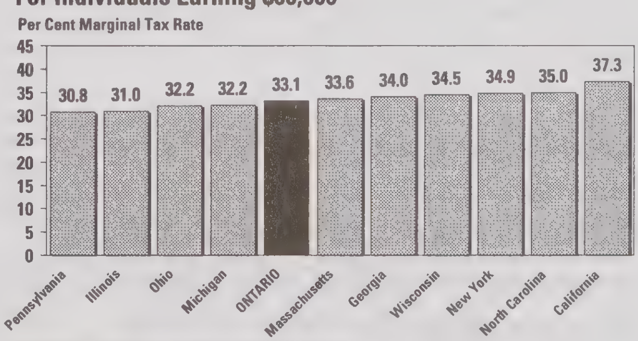
International Comparison of Personal Income Tax Rates, 2001

For Individuals Earning $60,000

Source: Ernst & Young, 2001.

Comparison of Ontario and U.S. Personal Income Tax Rates*, 2001

For Individuals Earning $60,000



* Combined federal-provincial and federal-state rates.
Source: Ernst & Young, 2001.

Tax Cuts Work

In 1995, Ontario's personal income tax rate had reached an all-time high, at 58 per cent of basic federal tax. At that time, Ontario's personal income taxes were among the highest in North America.

* Where applicable, statements made in this paper concerning measures proposed in this Budget are conditional on the approval of relevant legislation by the Legislature.

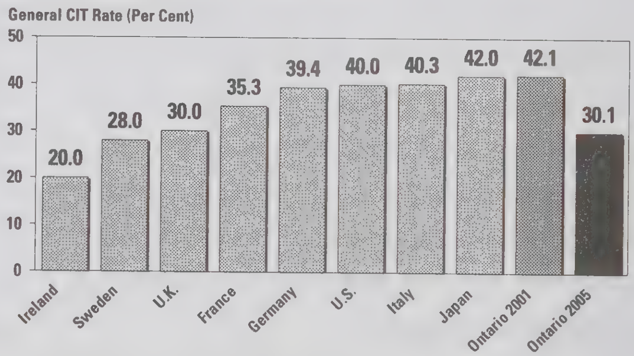
Since then, Ontario's income tax has been cut dramatically. In addition to significant tax rate decreases, Ontario has also moved to increase the value of certain non-refundable tax credits—for example, those recognizing the extra costs associated with pursuing an education or having a disability—and to index tax brackets and other non-refundable tax credits to Ontario's inflation rate. Taxpayers with low and middle incomes have benefited the most from these cuts.

Businesses have benefited from the Province's reductions to profit-insensitive taxes. Ontario's payroll tax was eliminated for 88 per cent of private-sector employers and reduced for all other private-sector employers. Business education property taxes have been cut and municipal discretion to shift the local property tax burden onto businesses has been limited.

Small businesses have had their income tax rate cut, and the number of businesses that qualify for this lower rate has been increased. Ontario's general rate of corporate income tax is being reduced from the highest among industrialized countries to a level below all U.S. states.

As a result of the tax cuts made by the Ontario Government, the Ontario economy is much more competitive and much stronger than it was five years ago.

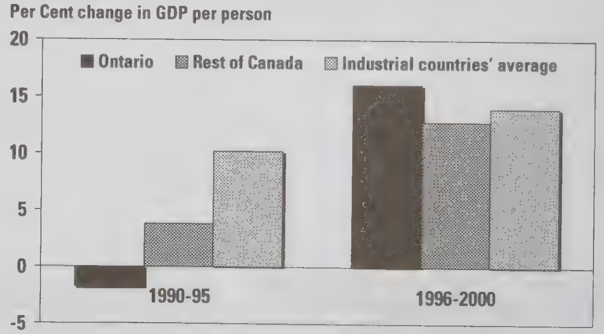
International Comparison of Corporate Income Tax Rates, 2001



Note: The Ontario CIT rates shown here are the combined federal-provincial rates.
Sources: *KPMG Corporate Tax Rate Survey - 2001* and Ontario Ministry of Finance.

Real GDP per person has grown by a remarkable 16.3 per cent in Ontario over the past four years. This is one of the strongest growth periods since 1960 for this important economic indicator. In the period following the introduction of this government's personal income tax cuts, Ontario's growth in real GDP per person has surpassed the average for industrialized countries.

Sound Policies Lead to Strong Growth: Ontario Goes from Worst to First



Sources: Statistics Canada, International Monetary Fund and Ontario Ministry of Finance.

Ontario's job growth has also been exceptional since tax cuts were first announced. Ontario's total employment has grown 16 per cent, compared to only 10.6 per cent in the rest of Canada, and 8.5 per cent in the United States.

This improved performance has been a significant achievement, but clearly there is still more to do.

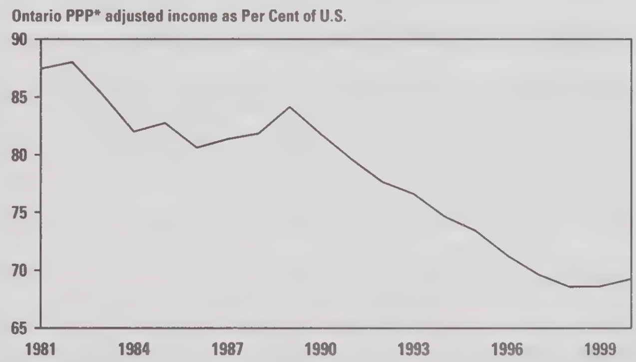
More Tax Cuts Are Needed

The Ontario Government's recent tax cuts come on the heels of 30 years of steady increases in tax rates. Taxes, when combined for all levels of government in Canada, rose from under 27 per cent of GDP in the 1960s to over 37 per cent in the 1990s. Over the same period, productivity growth and growth in the standard of living for people in Ontario declined.

The Ontario economy has been performing exceptionally well in the past five years, but there remains a lot of lost ground to recover. Real disposable income per person in Ontario actually fell from $19,600 in 1989 to $17,800 in 1996. This decrease resulted from a combination of job losses, weak salary growth and rising taxes prior to 1996.

People in Ontario, comparing their situation to that of friends and relatives living in the United States, are aware that their incomes have not grown nearly as much. At the beginning of the 1980s, the average level of personal disposable income in Ontario was close to 90 per cent of the U.S. average. While it has begun to rebound in recent years, it is still only about 70 per cent.

Ontario Disposable Income Per Capita Relative to U.S. Average



* Purchasing Power Parity.
Sources: Statistics Canada, DRI and Ontario Ministry of Finance.

Higher business investment is critical to more rapid implementation of new technology, productivity growth and increases in the real earnings of Ontario workers. Canada cannot achieve the rate of investment it needs unless its corporate tax rates are competitive.

Governments in Canada have just begun to take action on the corporate tax side. Even after the initial reductions in corporate income tax rates that have occurred in the past year, Canadian corporate income tax rates remain among the highest in the world.

The high level of corporate taxation in Canada is one reason why Canadian investors have been moving their capital out of the country. In the years from 1995 to 2000, Canadian investors increased their foreign investments by $255 billion, which is $83 billion more than foreign investors brought into Canada.

Personal Income Tax Cuts: Improving Disposable Income

The first stage of the Ontario Government's tax cuts, starting in 1996, focused on personal income tax cuts.

This focus reflected an economy that suffered from severely depressed demand conditions, inadequate incentives to earn income and take risks, and high unemployment. Personal income tax cuts provide a strong short-term demand stimulus and support higher long-term productivity growth.

- Personal income tax cuts directly attack the problem of low disposable income by boosting the incomes of individuals, giving them the means to boost their spending.

- Personal income tax cuts increase long-run economic growth. By allowing people to keep more of what they make, personal income tax cuts increase the incentives to work harder and make the investments that lead to higher income in the future.

Ontario's Income Tax Cuts to Date

On January 1, 1996, the Ontario personal income tax rate was 58 per cent of basic federal tax. By July 1, 1998, Ontario's income tax rate had been cut to 40.5 per cent of basic federal tax.

In addition to cutting the tax rate by 30 per cent, the government also increased Ontario's personal credits. These measures benefited all taxpayers. As well, the Ontario Tax Reduction program was enhanced, which amplified these tax cuts for individuals with lower incomes.

In its 1999 Budget, the government committed to further personal income tax reductions and implemented an additional five per cent across-the-board rate reduction. This brought Ontario's personal income tax rate down to 38.5 per cent of basic federal tax.

The 2000 Budget announced a new "Made-for-Ontario" income tax system, one that sets Ontario's tax brackets and tax rates independently of the federal government's income tax system. Straight away, the government used its new flexibility to implement important policies for the benefit of Ontario's taxpayers and economy.

- The government cut the lowest tax rate, even when the federal government would not. The government also cut the middle tax rate.

- All Ontario investors benefit from the plan to reduce the taxable proportion of capital gains to 50 per cent. Ultimately, all Canadians benefited as well when the federal government decided to follow Ontario's lead.

- Ontario's high-tech research firms will have an improved ability to attract and retain highly skilled and mobile research employees as a result of the Ontario Research Employee Stock Option Credit.

- Investors in Ontario mining companies would benefit from the additional Ontario flow-through shares incentive. This initiative was also followed by the federal government for the benefit of investors across Canada.

As well, the government implemented full protection against inflation-induced tax increases for the taxpayers of Ontario for the first time in 15 years. In this taxation year alone, Ontario's fully indexed personal income tax system is protecting Ontario taxpayers from $290 million of hidden tax increases. People in Ontario will not pay more Ontario tax just because their salaries keep pace with inflation.

The 2000 Ontario Economic Outlook and Fiscal Review included more new tax cut announcements for the benefit of Ontario taxpayers. Tax credits for individuals attending post-secondary school, individuals with disabilities and the people who support them were all enriched. As well, the plan to reduce the taxable proportion of capital gains was accelerated in the 2000 Ontario Economic Outlook and Fiscal Review. Effective October 18, 2000, the taxable proportion of capital gains reported for Ontario income tax purposes dropped to 50 per cent.

Additional government actions have further supported working families. The 1998 Budget introduced the Ontario Child Care Supplement for Working Families, which, by providing a refundable tax credit of $1,020 for each child under age seven, had the effect of increasing the tax savings for low- and moderate-income working families. In 1999, the annual benefit was increased by $80 per child to $1,100 per child under age seven. The single-parent supplement was introduced in the 2000 Budget, increasing the maximum benefit for single-parent families by $210 per child to $1,310 per child under age seven.

Completing the 20 Per Cent Tax Cut

Beginning in 2002, Ontario's personal income tax rates are proposed to be cut again.

- Over the next two years, Ontario's first and second tax rates would be cut to 5.65 per cent and 8.85 per cent, respectively.

- On January 1, 2003, the threshold above which surtax becomes payable would be increased, effectively eliminating the first tier of the current two-tier surtax.

In 1999, the Government of Ontario committed to provide Ontario taxpayers with an additional $4 billion in tax cut benefits over five years through a 20 per cent personal income tax reduction. Full implementation of the measures proposed in this Budget, combined with the personal income tax cuts announced in the 1999 and 2000 Ontario Budgets, would mean:

- 95 per cent of taxpayers would see Ontario tax savings of 20 per cent or more;

- average tax savings for taxpayers with incomes of up to $100,000 would exceed 20 per cent;

- the largest percentage reductions would be concentrated on taxpayers with lower and middle incomes; and

- more than $4 billion of additional tax savings would be delivered to Ontario taxpayers.

Estimated Average Ontario Personal Income Tax (PIT) Savings from Proposed Tax Cuts, when Combined with Ontario PIT Cuts Announced in 1999 and 2000[1], by Income Group

Income Group[2]	Ontario Taxpayers	Estimated Average PIT Savings
Less than $16,160	10%	69.6%
$16,160 - $21,115	10%	42.6%
$21,115 - $26,015	10%	33.2%
$26,015 - $30,945	10%	31.1%
$30,945 - $36,400	10%	31.4%
$36,400 - $42,320	10%	28.1%
$42,320 - $49,765	10%	24.8%
$49,765 - $60,455	10%	22.5%
$60,455 - $82,510	10%	24.7%
$82,510 - $85,680	1%	25.2%
$85,680 - $89,160	1%	24.0%
$89,160 - $93,670	1%	23.2%
$93,670 - $98,540	1%	22.4%
$98,540 - $104,670	1%	21.4%
$104,670 - $113,695	1%	19.7%
$113,695 - $128,545	1%	18.3%
$128,545 - $157,190	1%	16.3%
$157,190 - $232,690	1%	13.6%
$232,690 - $347,700	0.5%	11.3%
$347,700 and up	0.5%	10.2%
Total	**100%**	**32.1%**

(1) Includes Ontario's 1999 and 2000 rate cuts, indexation at estimated 2003 parameters, reduction of the capital gains inclusion rate to one-half and enhancement of tax credits for disability and education. Savings have been calculated in comparison to the tax system in place after Ontario's original PIT cuts.

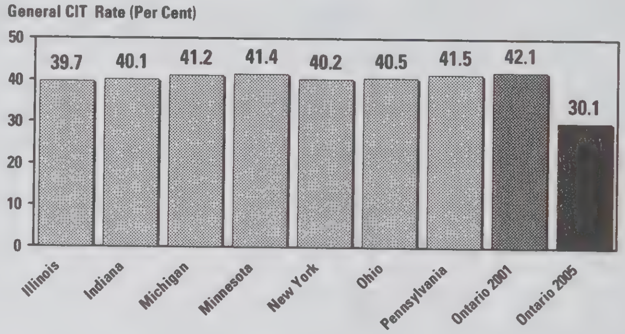
(2) The income groups divide Ontario taxpayers (before Ontario's original personal income tax cuts) into: nine deciles, each consisting of 560,000 taxpayers, with incomes up to $82,510; nine percentiles, each containing 56,000 taxpayers, with incomes between $82,510 and $232,690; and two half-percentiles, consisting of 28,000 taxpayers each, with incomes over $232,690.

Business Tax Cuts: Creating Jobs Through Competitive Businesses

In 2000, the Ontario Government announced a series of tax cuts that would focus directly on investment, to boost long-term job creation and productivity growth.

- The cut in the inclusion rate for capital gains income to 50 per cent will boost the incentives for entrepreneurial investment and risk-taking. It is a vital encouragement for the establishment of new businesses in leading areas of technology, which have been found to be the key to increases in economic growth.

Ontario's CIT Rates Compared to Neighbouring States, 2001



Note: The CIT rates shown here are the combined federal and state/provincial rates.
Source: Ontario Ministry of Finance.

- In addition, the 2000 Budget announced an immediate one percentage point cut in all of the Corporate Income Tax (CIT) rates, and a further 0.5 percentage point cut on January 1, 2001. This was to be followed up by a medium-term plan—a commitment to further reduce rates to eight per cent—to make combined CIT rates in Ontario lower than rates in the U.S. neighbouring states by 2005.

Capital is highly mobile internationally, and it goes to the countries where it earns the highest after-tax rate of return.

- A country that has an above-average corporate tax rate will have a lower rate of investment. People who live and work in that country are ultimately the losers, since the jobs available to them will be at a lower technological level, on average, and will pay lower incomes.

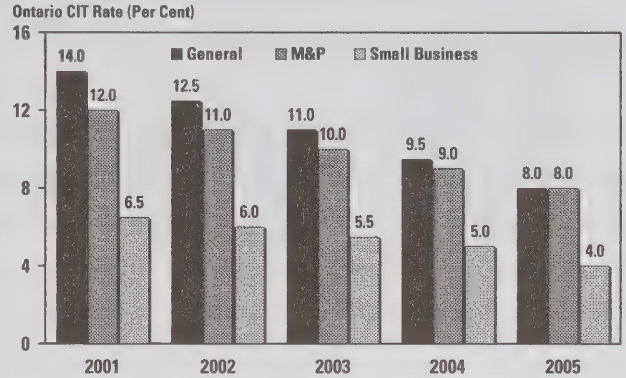
- Many of the countries that have enjoyed the strongest growth in standards of living in the past decade have cut their CIT rates to levels far below the Canadian average. These include Ireland, the United Kingdom, South Korea, Denmark, Norway and the Netherlands.

Finalizing the Corporate Income Tax Rate Cut

In this Budget, the Ontario Government proposes to legislate a firm schedule to deliver the corporate tax cut plan it announced in last year's budget. These cuts would be completed in 2005.

- Legislating the tax cut plan would provide investors with certainty and clear information on which to base their future investment plans in Ontario.

Cutting Ontario's Corporate Income Tax Rates



Source: Ontario Ministry of Finance.

Reducing and Simplifying Capital Tax

The capital tax discourages investment in capital, when more capital per worker is what is needed to boost productivity and standards of living. The capital tax is unrelated to profits, making it a fixed cost on businesses. In periods of economic slowdown when businesses are forced to cut costs, the capital tax forces them to cut in the areas where they have flexibility, which is chiefly wages. Therefore, the capital tax is a potential job killer.

The Business Tax Review Panel noted that, on an international basis, Canada is almost unique in having capital taxes. The Panel believed that the capital tax serves as a deterrent to attracting international investment.

The Business Tax Review Panel recommended that Ontario eliminate the capital tax for regular corporations and financial institutions. As a first step, it recommended that Ontario introduce a capital tax deduction for the first $5 million of taxable capital.

This Budget proposes to provide a $5 million capital tax deduction for all businesses effective January 1, 2002. This would increase capital available for reinvestment, simplify the tax system and remove capital tax liability for over 11,000 small and medium-sized businesses.

Tax Incentive Review

In order to achieve certain economic and social objectives, Ontario provides targeted tax incentives, typically as deductions or tax credits, which reduce the tax an individual or corporation would otherwise have to pay. Targeted tax incentives can be an affordable and effective mechanism for achieving policy objectives.

However, once introduced, tax incentives tend to become fixtures of the tax system. Unlike other forms of government spending, they are not subject to regular review. The Business Tax Review Panel noted that, while tax incentives can be very effective, they add a source of complexity to the tax system and need to be reviewed to ensure that they continue to achieve the original policy intent.

The Province will conduct a review of tax incentives to determine if they are still necessary and effective in an environment of significantly reduced tax rates and lower tax burdens, and to address the concerns raised by the Business Tax Review Panel.

The government will also review certain targeted taxes, such as the Corporate Minimum Tax and the Tax for Fuel Conservation, to ensure that such measures are still appropriate.

Federal Government Still Needs to Do More

The Government of Ontario has repeatedly called on the federal government to follow Ontario's lead by enhancing the competitive economic advantage of Ontario and Canada, and improving disposable income by cutting federal taxes further.

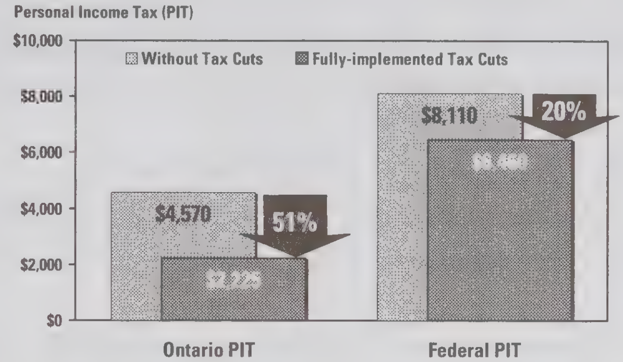
Bigger Federal Personal Income Tax Cuts Are Needed

Ontario collects less than one-third of the income taxes paid by the people of Ontario. If the income tax burden on Ontario families is to be reduced significantly, then the federal government must also act, since the bulk of personal income taxes are levied by the federal government.

A couple with two children and net income of $60,000 from two earners would save $2,345 in Ontario personal income tax, or more than 50 per cent when the changes proposed in this Budget are added to tax cuts announced in previous budgets. Federal personal income tax cuts, when fully implemented, would save this family $1,650, or 20 per cent. At that time, this family would pay about $3 in federal tax for every $1 of Ontario tax.

Cutting Personal Income Tax

Two-earner Couple with Two Children — Net Income $60,000

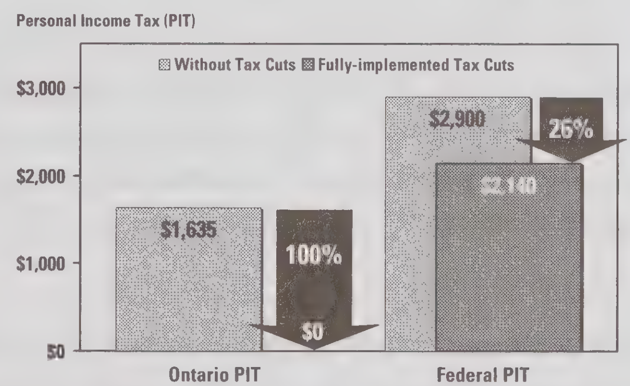


Source: Ontario Ministry of Finance.

A couple with two children and net income of $30,000 from one earner would pay $1,635 less Ontario income tax when the changes proposed in this Budget are added to those announced in previous Ontario budgets. They would no longer pay Ontario income tax. In contrast, this family would continue to pay federal income tax of $2,140, even after the proposed federal cuts deliver $760, or 26 per cent, in income tax savings for this family.

Cutting Personal Income Tax

One-earner Couple with Two Children — Net Income $30,000

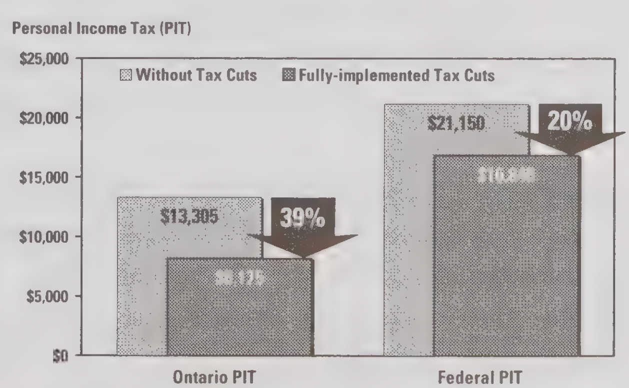


Source: Ontario Ministry of Finance.

A single individual earning $90,000 would save $5,130, or 39 per cent, from Ontario's personal income tax cuts, including those proposed in this Budget. Fully implemented federal income tax cuts would save this individual $4,310, or only about 20 per cent. At that time, this individual would pay more than twice as much federal tax as Ontario tax.

Cutting Personal Income Tax

Single Individual — Net Income $90,000



Source: Ontario Ministry of Finance.

Federal personal income taxes remain, on average, more than double the level of Ontario's personal income taxes, even after taking into consideration past and planned federal income tax cuts. With the measures proposed in this Budget, more than 735,000 individuals and families in Ontario would not pay Ontario personal income tax but would still pay federal income tax.

While Ontario's top marginal rate has been cut by over 20 per cent since 1995, the top marginal rate of federal tax has dropped by only about seven per cent. The relatively small cut in the top marginal rate of federal tax is a source of particular concern.

At all income levels, the federal government must do more to get federal personal income taxes down.

Federal Business Taxes Are Too High

Canada's corporate income tax rates are also high compared to competing jurisdictions. Investment is very mobile, and companies will invest in Canada only if their after-tax income is competitive with other countries.

Ontario has set a target for a single lower overall rate of eight per cent for all large businesses by 2005—this is a 48 per cent cut in the general rate and a 40 per cent cut in the manufacturing and processing rate. By comparison, the federal government is cutting the general corporate rate by 24 per cent—only half of the Ontario cut.

The federal government needs to cut corporate rates deeper to improve our international competitiveness. If the federal government met the challenge in the 2000 Ontario Budget to match our corporate rate cuts, the combined federal-provincial rate, at 23 per cent, would be among the lowest in the world.

It is also time for the federal government to reform the manner in which it manages the nation's Employment Insurance (EI) program. The federal government continues to use EI premiums contributed by employers and employees as own-source revenue. It should, instead, establish a separate account for EI, which, like the Canada Pension Plan, would be externally managed and invested in market securities.

At the same time, EI premium rates continue to be unnecessarily high. Ontario has called on the federal government to reduce EI premiums immediately to below $2 per $100 of insurable earnings. This would fully offset the CPP contribution increases that have taken effect in 2001, and would ensure that there would be no further increase in the federal payroll tax burden this year.

Details of Tax Changes

The following sections provide information on the taxation measures proposed in the Budget. For a precise description of these measures, the reader is advised to consult the amending legislation.

Income Tax Act

Personal Income Tax Rates

This Budget proposes further cuts to Ontario personal income tax rates.

- Effective January 1, 2002, the first Ontario tax rate would be reduced from 6.2 per cent to 6.05 per cent of taxable income up to $30,814 (indexed after 2001), and the middle Ontario tax rate would be reduced from 9.24 per cent to 9.15 per cent of taxable income between $30,814 and $61,629 (both amounts indexed after 2001).

- Effective January 1, 2003, the first Ontario tax rate would be reduced further, to 5.65 per cent of taxable income up to $30,814 (indexed after 2001), and the middle Ontario tax rate would be reduced further, to 8.85 per cent of taxable income between $30,814 and $61,629 (both amounts indexed after 2001).

Surtax and Tax Reduction

Ontario's two-tiered surtax is calculated as a percentage of basic Ontario tax in excess of specified amounts. In 2001, the first surtax tier does not apply to taxpayers with incomes of less than $53,650 and the second surtax tier does not apply to taxpayers with incomes of less than $63,365. Automatic indexation of the surtax thresholds ensures that these income levels will increase to keep pace with inflation.

To eliminate the surtax payable by taxpayers who pay only the first-tier surtax, it is proposed that the basic Ontario tax threshold above which the first-tier surtax applies be raised to the same level as the threshold for the second surtax tier.

- Effective January 1, 2003, the surtax would be calculated as 56 per cent of Ontario income tax in excess of $4,491 (indexed after 2001).

As a result of this proposed change, about one-third of current surtax payers—more than 340,000 individuals—would no longer pay the personal income surtax.

The Ontario Tax Reduction reduces or eliminates Ontario personal income tax payable by taxpayers with low and moderate incomes. Automatic indexation of the Ontario Tax Reduction amounts ensures that taxpayers who benefit from the program will continue to do so, even if their incomes increase by the rate of inflation.

With the proposed changes to the first and middle tax rates, about 75,000 additional low-income taxpayers will be removed from Ontario's tax rolls and 580,000 additional taxpayers with modest incomes will have their Ontario tax further reduced by the Ontario Tax Reduction.

Alternative Minimum Tax

For 2001, Ontario alternative minimum tax (AMT) will be calculated as 38.75 per cent of the additional tax attributable to the federal AMT calculation, and would be added to Ontario tax calculated under the regular rules. The calculation for 2001 will be expressed as:

Ontario AMT = Ontario Tax + 38.75 per cent x (Federal AMT - Federal Tax)

The 2001 rate change for the Ontario AMT calculation reflects the change to Ontario's tax rates and the proposed change to federal tax rates.

As a result of the changes to Ontario tax rates proposed in this Budget, the appropriate percentage for 2002 would be 37.81 per cent.

Medical Expenses Tax Credit

A claim for medical expenses paid for a dependant, other than a spouse, must be reduced where the dependant's net income exceeds the basic personal amount. For Ontario purposes, the claim made for 2001 by an individual for the medical expenses of a dependant will be reduced by 26.35 per cent of the amount by which the dependant's net income exceeds the basic personal amount. This reflects changes to Ontario's tax rates and proposed changes to federal tax rates.

As a result of the changes proposed to Ontario tax rates in this Budget, for 2002, the claim made by an individual for medical expenses of a dependant would be reduced by 25.71 per cent of the amount by which the dependant's net income exceeds the basic personal amount.

Equity in Education Tax Credit

The Budget proposes a refundable tax credit, effective for the 2002 and subsequent taxation years, that would be provided in respect of kindergarten, elementary and secondary tuition fees at independent schools in Ontario. This credit would apply to the first $7,000 per child of tuition fees exclusively and would not include, for example, expenses for books, sports, uniforms, computers, travel or boarding. Consultations will identify the appropriate framework for establishing eligibility for this credit.

This tax credit is proposed to be phased in over a five-year period, beginning with tuition fees paid in respect of instruction commencing after 2001. The proposed credit rates are:

Taxation Year	Tax Credit Rate
2002	10%
2003	20%
2004	30%
2005	40%
2006 and subsequent taxation years	50%

In-year Measures

As announced in the 2000 Ontario Economic Outlook and Fiscal Review, enhancements are proposed to certain Ontario non-refundable credits. These enhancements would be effective January 1, 2001.

Non-refundable Credit	2000 Amount	Proposed 2001 Amount
Disability credit	$4,293	$6,000
Caregiver credit	$2,386	$3,500
Infirm dependant credit	$2,386	$3,500
Disability credit supplement for children with severe disabilities	$2,941	$3,500
Education credits		
Amount per month of full-time enrolment	$200	$400
Amount per month of part-time enrolment	$60	$120

These Ontario non-refundable tax credits are calculated using the lowest Ontario tax rate for the appropriate taxation year.

Corporations Tax Act

Cutting Corporate Income Tax Rates

The 2000 Budget announced the government's intention to cut both the general corporate income tax rate and the tax rate on income from manufacturing and processing, mining, logging, farming and fishing to eight per cent by 2005. That Budget presented the first two stages of the tax cuts, which were subsequently enacted into law. Those tax cuts reduced the general corporate income tax rate from 15.5 per cent before the 2000 Budget to 14 per cent on January 1, 2001. The tax rate on income from manufacturing and processing, mining, logging, farming and fishing was cut from 13.5 per cent to 12 per cent over the same period.

The following table outlines the government's proposed plan for implementing the remaining tax cuts to achieve the eight per cent tax rates.

	General Corporate Income Tax Rate*	Tax Rate on Income from Manufacturing and Processing, Mining, Logging, Farming and Fishing*
Current Tax Rate	14%	12%
Proposed Tax Rate:		
January 1, 2002	12.5%	11%
January 1, 2003	11%	10%
January 1, 2004	9.5%	9%
January 1, 2005	8%	8%

*All tax rate reductions would be prorated for taxation years straddling the effective dates.

Reducing the Capital Tax

Regular Corporations

In 1999, the capital tax exemption for small businesses was increased to $2 million of taxable capital, with reduced capital tax rates applying to taxable capital between $2 million and $4 million. The full $4 million threshold was to be phased in by January 1, 2003. Currently, businesses with taxable paid-up capital between $2 million and $3.2 million are eligible for reduced capital tax rates. It is proposed that:

- the capital tax exemption be replaced with a $5 million deduction from taxable paid-up capital, effective January 1, 2002; and

- the gross revenue and total asset thresholds for using the Short-Form Corporations Tax Return be increased from $1.5 million to $3 million to reflect the $5 million deduction. This would apply for taxation years commencing after December 31, 2001.

Financial Institutions

- It is proposed that, effective January 1, 2002, the $2 million capital deduction applied in determining adjusted taxable paid-up capital for financial institutions would be increased to $5 million.

The proposed $5 million capital tax deductions for both regular and financial institutions would be prorated for taxation years straddling January 1, 2002.

Restoring Support for Research and Development

One of Ontario's most important tax-based incentives for research and development (R&D) is the Super Allowance, which provides over $100 million in benefits to R&D performing firms.

In its 2000 budget, the federal government stated that provincial deductions for R&D in excess of actual expenditures would be treated as taxable government assistance. This federal action, if applied to the Super Allowance, would raise the cost of R&D investments in Ontario and could result in lower R&D expenditures in the province. Ontario businesses have expressed their concern over the adverse impact that the federal measure would have on the cost of R&D.

Recognizing the legitimate concerns expressed by Ontario's R&D industry, the 2000 Ontario Budget announced that Ontario would not adopt the federal measure. In this Budget, Ontario intends to take further action to reduce the adverse impact of the federal measure on Ontario R&D performers.

Ontario is proposing to suspend the R&D Super Allowance for two years and, in its place, allow corporations to exclude from Ontario taxable income the portion of the federal investment tax credit that relates to qualifying Ontario Scientific Research and Experimental Development (SR&ED) expenditures.

- This measure would be effective for a 24-month period, beginning with the first taxation year for which the federal super-deduction provision would apply to the corporation.

- To qualify for the Ontario benefit under this proposal, the investment tax credit must:
  - be included in federal taxable income during the 24-month period; and
  - be in respect of qualifying Ontario SR&ED expenditures incurred by the corporation during the 24-month period or in the taxation year immediately preceding the 24-month period.

Ontario calls upon the federal government to revisit its 2000 Budget proposal and to ensure that federal legislation does not target Ontario's R&D Super Allowance.

Accelerating the Capital Gains Rate Reduction

As proposed in the 2000 Ontario Economic Outlook and Fiscal Review, for dispositions of property on or after October 18, 2000, the inclusion rate for capital gains and losses would be reduced to 50 per cent.

Retail Sales Tax Act

Extending the Rebate for Alternative Fuel Vehicles to Electric Hybrids

The rebate program for alternative fuel vehicles provides purchasers or long-term lessors of qualifying alternative fuel cars with a retail sales tax rebate of up to $1,000. This program currently does not extend to the newly developed electric hybrid cars.

As a result, legislation will be introduced to extend the retail sales tax rebate to qualifying electric hybrid cars. The Ministry of Finance welcomes input from the industry. In general, a qualifying electric hybrid car would be one that combines an electric traction motor with another power unit, such as a conventional gas or diesel engine. To qualify for the proposed rebate, an electric hybrid car would be required to have:

- regenerative braking capability to recover the energy released while slowing down or stopping; and

- electric storage systems, such as batteries, ultra-capacitors, or flywheels.

It is proposed that qualifying electric hybrid cars delivered after May 9, 2001 be eligible for this rebate.

Exempting Audio Books for People Who Are Blind

The government proposes to exempt from retail sales tax audio books purchased by people who are legally blind. The proposed measure would be effective on proclamation.

The government will consult with the Canadian National Institute for the Blind on implementation details.

Succession Duty Act Supplementary Provisions Act

Succession duties were eliminated in 1979, in respect of persons who died after April 10 of that year. However, in certain instances, succession duties may continue to apply to estates of persons who died on or before that date. For example, the amount of an inheritance or the identity of a beneficiary may be uncertain where a life interest was granted to a spouse and the remainder interest to their children. There are fewer than 200 remaining estates for which payment of succession duties has been deferred until the occurrence of a future event.

In order to bring succession duties to an end, it is proposed that no further succession duty would be payable on or after May 9, 2001, other than amounts due before that day.

Making the Tax System Fairer

Revenue from Beer

It is proposed that, effective June 25, 2001, the ad valorem component of the brewers' basic fee would be eliminated.

- The new basic fee rate for regular beer—beer shipped in containers with a capacity of less than 18 litres—would be 51.05 cents per litre.

- The new basic fee rate for draught beer—beer shipped in containers with a capacity equal to or greater than 18 litres—would be 36.05 cents per litre.

- The microbrewery fee rates would be based on the new regular and draught basic fee rates. The microbrewery reduction rates and thresholds are not proposed to change.

  - The rates on the first 25,000 hectolitres of beer shipped in Ontario would be 33.69 cents per litre for regular beer and 23.79 cents per litre for draught.
  - The rates on the next 50,000 hectolitres of beer shipped in Ontario would be 45.94 cents per litre for regular beer and 32.44 cents per litre for draught.

Heritage Properties

To encourage the restoration and preservation of heritage buildings, the government proposes to give municipalities the ability to provide property tax relief to owners of buildings that are designated under the *Ontario Heritage Act* as being of architectural or historical value.

The government will consult with stakeholders to develop eligibility criteria and a relief mechanism that is equitable for property owners and administratively feasible for municipalities. It is proposed that this relief mechanism would take effect on January 1, 2002.

New Rental Apartment Buildings

In 1998, the Province created the "new multi-residential property class" to enable municipalities to apply a lower tax rate to newly built rental apartment buildings. If adopted by a municipality, this class would apply to newly built multi-residential properties for the first eight years after construction, and then these properties would move into the regular multi-residential class.

To provide a greater incentive for the development of new affordable rental housing, the government intends to extend the time horizon of the new multi-residential property class from eight years to 35 years.

This change would take effect on January 1, 2002.

Technical Amendments

Changes to the Application of Retail Sales Tax to Trucks and Buses Registered under the International Registration Plan

On April 1, 2001, Ontario became a member of the International Registration Plan (IRP). Ontario's IRP membership will enhance the competitive position of Ontario's truck and bus industries by giving them improved access to U.S. markets.

To accommodate Ontario's membership in the IRP, Ontario proposes to amend the *Retail Sales Tax Act* as it applies to trucks and buses registered under the IRP and used in Ontario. Ontario is planning to implement an annual prorated sales tax to be collected at the time of registration. This would replace the retail sales tax normally applicable to these multijurisdictional vehicles. This taxation system is used in British Columbia, Saskatchewan and Manitoba.

- ♦ Trucks and buses used only in Ontario would continue to be subject to the current retail sales tax system at the time of purchase.

In addition, under this proposal, trailers, repair parts and labour services for multijurisdictional trucks and buses registered under the IRP and used in Ontario would be exempt from retail sales tax at the time of purchase. The proposed rates have been developed to account for the Ontario proportion of the retail sales tax on trailers, repair parts and labour.

- ♦ Trailers, repair parts and labour services for trucks and buses used only in Ontario would continue to be subject to the current retail sales tax system at the time of purchase.

The proposed measure would be payable each year upon registration of a multijurisdictional truck or bus, and would be calculated based on the vehicle's purchase price and the proportional distance travelled in Ontario by the vehicle during the previous year. The applicable tax rate would vary, depending on when the vehicle was acquired.

Proposed Rates for Multijurisdictional Trucks and Buses

	Tax rate for multi-jurisdictional trucks registered under IRP (%)	Tax rate for multi-jurisdictional buses registered under IRP (%)
Acquisition year	3.669	3.285
First calendar year following the acquisition year	2.876	2.419
Second calendar year following the acquisition year	2.307	1.814
Third calendar year following the acquisition year	1.901	1.390
Fourth calendar year following the acquisition year	1.612	1.093
Fifth calendar year following the acquisition year	1.570	1.036
Sixth calendar year following the acquisition year	1.483	0.949
Seventh calendar year following the acquisition year	1.447	0.913
Eighth calendar year following the acquisition year	1.448	0.911
Ninth and subsequent calendar years following the acquisition year	1.475	0.934

Under this proposal, multijurisdictional trucks and buses previously purchased in Ontario may qualify for a transitional credit against the annual prorated tax. Rules would also be introduced to address taxation where there is a change in the use of a truck or bus.

The government proposes to implement the modified retail sales tax system for multijurisdictional vehicles as of October 1, 2001. The government will be seeking industry input on this proposal.

Professional Corporations

It is proposed that technical amendments relating to professional corporations be made to the *Business Corporations Act*. The amendments would clarify that the liability for professional negligence of a shareholder of a professional corporation is not affected by the existence of the corporation or the fact that the corporation is a member of a partnership or limited liability partnership.

In addition, technical amendments are proposed to be made to various statutes governing regulated professionals to provide that the conditions, prohibitions and restrictions that currently apply to individuals who practise the particular profession would also apply to professional corporations.

Other Technical Amendments

To improve administrative effectiveness and enforcement, to maintain the integrity and the equity of the tax system, and also to enhance legislative clarity, various other amendments will be proposed to the following Ontario statutes:

- *Assessment Act*
- *Capital Investment Plan Act, 1993*
- *Commodity Futures Act*
- *Corporations Tax Act*
- *Education Act*
- *Electricity Act, 1998*
- *Employer Health Tax Act*
- *Fuel Tax Act*
- *Gasoline Tax Act*
- *Income Tax Act*
- *Land Transfer Tax Act*
- *Mining Tax Act*
- *Ministry of Revenue Act*
- *Municipal Act*
- *Ontario Property Assessment Corporation Act, 1997*
- *Retail Sales Tax Act*
- *Tobacco Tax Act*

Improving Customer Service and Cutting Red Tape

This Budget builds on the measures introduced by the government in previous Budgets. Cutting red tape and improving customer service is an ongoing job, and this Budget introduces several new improvement initiatives.

Quality Service in Tax Administration

Taxpayers have the right to demand and expect professionalism and courtesy in the administration of their tax system.

In order to enhance service quality and increase accountability, Ontario is developing specific service standards for tax administration. These standards, when finalized, will be used to measure our performance in administering tax laws with fairness, courtesy and common sense.

Results will be reported to the public annually, allowing taxpayers to hold the government and its employees accountable for the quality of service provided and the professional manner in which taxpayers are treated.

Consultations with key stakeholders on draft tax administration service standards will begin shortly, aimed at finalizing standards by September 1, 2001.

Simplification of Tax Filing Procedures

Business people in Ontario want to create jobs, not fill out unnecessary or complicated paperwork. The following proposed measures would help to reduce the paperwork that businesses are required to file, while ensuring all taxpayers are treated fairly.

- An administrative easement will be introduced to waive one late-filing penalty for Retail Sales Tax returns, where the business has otherwise had no previous late-filed returns over the past four years. This change would be applied retroactively as of July 1, 2000.

- Corporations are currently required to pay monthly corporate tax instalments if annual tax payable in the current or preceding year is $2,000 or more. To simplify instalment requirements for more small businesses, it is proposed that corporations be allowed to pay quarterly instalments if their tax payable in the current or preceding year is greater than or equal to $2,000 and less than $10,000. This change would apply to taxation years commencing in 2002.

- For taxation years ending after 2000, corporations filing their Ontario corporate tax return would no longer be required to file a copy of their federal T2 return and related schedules, provided the federal documents have been filed with the Canada Customs and Revenue Agency (CCRA).

- Effective immediately, it is proposed that gasoline, fuel and tobacco tax refund claims would no longer require copies of supporting documentation, where the annual claim is $500 or less. However, supporting documentation must be retained and provided upon request.

- The Ministry of Finance will accelerate its ongoing review of all tax forms to: eliminate unnecessary forms; improve the layout design and use of plain language; reduce the overall number of forms by introducing multipurpose forms; and explore opportunities for businesses to submit forms electronically.

Simplification of Retail Sales Tax Definitions and Rules

Ontario recognizes the need for simpler and more effective definitions and rules in the retail sales tax system, such as those relating to the taxation of computer software. To that end, Ontario will consult with taxpayers and other interested groups on potential measures for a simpler retail sales tax.

Streamlined Tax Audit Procedures

The Business Tax Review Panel recommended that the Province explore ways of simplifying and consolidating the audit process. The following measures are proposed:

- More consolidated audits will be conducted across various tax programs, where feasible and the business is agreeable to the audit approach. Auditing multiple tax programs at the same time will mean a reduction in the overall time spent by tax auditors at the business location.

- The Ministry of Finance will continue to work closely with the federal government to arrange more joint, multijurisdiction audits, where this is feasible and the business is agreeable to the audit approach.

- Retail sales tax audits on small businesses will be streamlined. In most cases, this will mean that the typical small business owner can expect the auditor to be in and out of their place of business within two full working days.

A More Customer-Focused Tax Administration

The government recognizes and values the role that small businesses play in providing feedback and suggestions on ways to improve customer service and cut red tape. The following measures will help foster a better working relationship between the tax administration and its customers and stakeholders.

- A Small Business Advisory Committee will be formed, comprising small business representatives, key stakeholders and tax administration officials. The mandate of the committee will be to identify and discuss new ways of simplifying tax administration and cutting red tape, with a goal of implementing changes by 2002.

- Tax Information Forums will be held across the province. These forums will provide small businesses with a one-stop opportunity to obtain information and ask questions on a variety of tax programs administered in Ontario.

- The Ministry of Finance will continue to work with key stakeholders, such as Chambers of Commerce and other groups, to seek more opportunities to meet with them and explain tax administration rules and requirements.

Improved Customer Service Through Electronic Service Delivery

In support of the government's goal for electronic service delivery, the following customer service measures will be implemented by 2002.

- An Internet e-mail subscription service will be introduced. This service will send the user an e-mail announcement whenever new publications are released, key dates are announced, or a variety of other events occur. Small businesses, and all subscribers to the service, will have an effective and efficient means of staying on top of the latest changes.

- A new "Tele-Tax" system will be implemented. Users of this integrated voice response (IVR) service will call an automated, self-serve telephone system and obtain recorded messages containing answers to frequently asked questions.

- Customer service feedback and other survey tools will be available via the Internet. These tools will provide businesses with yet another way to engage the tax administration and suggest ways to simplify processes and cut red tape.

- Retail sales tax interpretation rulings, which have general applicability to a wide audience, will be made available via the Internet. A search engine will make finding specific information quick and easy.

- Corporate income and capital tax Information and Interpretation Bulletins will be revised to remove obsolete information and update statutory references. The revised Bulletins will be available on the Internet by June 30, 2001. Over the next two years, these Bulletins will undergo a major overhaul, and new Bulletins will be issued, incorporating current legislation, interpretation rulings and court decisions, and reflecting current trends and developments in the corporate community. These Bulletins will be organized by topic and updated on a timely basis.

- General information changes, such as a business address or telephone number, will be accepted via the Internet. This service means that businesses will be able to inform tax administration staff of their general information changes 24 hours a day, seven days a week, whenever it's most convenient for them to do so.

Amendments to Financial Services Legislation

It is proposed that various pieces of financial services legislation be amended to eliminate barriers to competitiveness, reduce costs of compliance, and increase efficiency and effectiveness.

The Co-operative Corporations Act

Thirteen amendments are proposed to streamline the regulatory requirements for co-operatives. These amendments are intended to address the commitment in the 2000 Budget to streamline co-operative regulatory requirements. The proposed changes include:

- removing the requirement for a corporate seal;

- harmonizing requirements (regarding joint membership and articles of incorporation) between co-operatives with and without share capital;

- clarifying policies respecting membership shares; and

- introducing amendments intended to facilitate more efficient and less costly functioning of annual meetings.

Credit Unions and Caisses Populaires Act, 1994

It is proposed that this Act be changed to permit the Deposit Insurance Corporation of Ontario (DICO) to invoice credit unions and caisses populaires for premiums within 120 days of the start of their fiscal year. This would allow premiums to be based on the previous year's audited financial statements.

Insurance Act and Registered Insurance Brokers Act

It is proposed that the list of permissible investments for Ontario-incorporated insurance companies be updated to give provincially incorporated companies more flexibility in planning their investment strategies. Further amendments to insurance legislation are being considered to harmonize Ontario investment standards with those in other Canadian jurisdictions.

Proposed changes to the *Insurance Act* and the *Registered Insurance Brokers Act* would remove restrictions on foreign ownership of corporate agents and adjusters and brokerages.

Loan and Trust Corporations Act

Changes are proposed to eliminate overlap and duplication in the regulation of the loan and trust sector. With these changes, the Province would no longer incorporate loan or trust companies. After a transition period, only federally incorporated companies would be able to operate in Ontario.

Mortgage Brokers Act

A proposed change would exempt from regulatory requirements foreign banks that are allowed to operate in Canada under the federal *Bank Act*.

Securities Act

Eight changes are proposed to clarify securities legislation, to reduce the cost of compliance for market participants, and to harmonize requirements with those of other Canadian jurisdictions. For example, a proposed amendment to permit the use of electronic communications for delivery of shareholder meeting materials (proxy material and information circulars) would reduce issuer mailings and associated costs.

Proposed Benefits to Taxpayers: 2001 Budget Impact Summary	2001-02 Benefit ($ Millions)	Full-Year Benefit ($ Millions)
Personal Income Tax		
20% PIT cut, remaining steps	60	975
In-year measure to enhance certain non-refundable tax credits	60	60
Equity in Education tax credit	15	300
Corporations Tax		
Corporate Income Tax rate cut, remaining steps	10	2,200
Reducing the Capital Tax	4	180
Capital Gains		
Accelerating the Capital Gains Reduction (62% to 50%)	520	500
Retail Sales Tax		
Exempting audio books for people who are blind	1	3
Extending the Rebate for Alternative Fuel Vehicles to electric hybrids	1	1
Succession Duty Act Supplementary Provisions Act	1	2
Making the Tax System Fairer		
Eliminating ad valorem component of brewers' basic fee	6	8
Total Benefits to Taxpayers	**678**	**4,229**

PAPER D

Ontario's Financing Plan

Highlights

- In the 2000 Budget the government made a commitment to reduce Net Provincial Debt by at least $5 billion during the current term of office. With a contribution to debt reduction of $1.0 billion in 1999-2000 and $3.0 billion in 2000-01, the government has already met 80 per cent of its commitment in the first two years. Net Provincial Debt is projected at $110.7 billion as of March 31, 2001.

- The 2000-01 payment of $3.0 billion is the largest reduction of debt in the Province's history. The government remains committed to applying the $1 billion reserve, if not needed, as well as any surpluses, to pay down Net Provincial Debt.

- Although the Province has a balanced budget, borrowing levels remain high due to significant amounts of debt maturities in the next few years. High levels of maturities place an additional emphasis on the need to reduce debt and maintain cost-effective and prudent debt management practices.

- Credit-rating agencies have recognized the government's balanced budget achievements and commitment to debt reduction. On January 29, 2001, Standard and Poor's upgraded the Province of Ontario's debt rating to AA from AA-. This is the first upgrade from Standard and Poor's since 1988. On February 9, 2001, Moody's Investors Service reaffirmed Ontario's Aa3 rating and revised the outlook to "positive" from "stable."

- Through the Ontario Financing Authority (OFA), the Province intends to raise $9.1 billion in long-term public borrowing for 2001-02. This will include proceeds from the seventh annual Ontario Savings Bond campaign in June.

- The Province's 2000-01 long-term public borrowing program of $8.5 billion was completed in a cost-effective manner. As a strong and stable credit, Ontario benefited from preferred access to the fixed income markets, despite uncertain market conditions during 2000-01.

2000-01 Borrowing Program

- The Province's long-term public borrowing program for 2000-01 was $8.5 billion. While the government had a surplus, the Province continued to borrow mainly to refinance maturing debt of $8.1 billion, accruals and consolidations of $4.6 billion, and early bond redemptions of $1.1 billion.

- As a strong and stable credit, the Province continued to have preferred access to capital markets in 2000-01, despite uncertain markets, which caused some borrowers to postpone, downsize or increase interest rates on their bond issues. The Province was also successful in adapting to the changing market conditions by borrowing in a wide range of maturities.

- The Province used a variety of instruments to lower its borrowing costs in 2000-01:

  - The OFA completed its first two bond auctions. These auctions raised a total of $0.5 billion on behalf of the OEFC, at attractive prices and with estimated savings of $1 million in commission costs.
  - The Province saved on commissions and fees that would have otherwise been charged in the public market by borrowing $0.6 billion directly from the Canada Pension Plan (CPP) to refinance debt held by that entity.
  - In order to promote liquidity and save money, nearly $1 billion of smaller, higher-yielding Ontario bonds were repurchased and replaced with larger and more cost-effective benchmark issues.

- Despite limited borrowing opportunities outside the Canadian domestic market, the OFA was able to raise the equivalent of $1.7 billion in foreign currencies at attractive rates via the following issues:

  - The Province reopened three U.S. Dollar Global issues, raising the equivalent of just over $1.2 billion in Canadian dollars. The proceeds from one of these issues were lent to the OEFC.
  - The Province also raised over $0.1 billion from a floating rate U.S. Dollar Euro Medium Term Note.
  - Through the reopening of an existing Yen Global issue, the Province raised just under $0.4 billion.

- The 2000-01 Ontario Savings Bond campaign raised $3.4 billion, a Canadian provincial record.

2001-02 Borrowing Program

Financial Summary
($ Billions)

		2000-01 Budget Plan	2000-01 Interim	2001-02 Budget Plan
Surplus/(Deficit)		0.0	3.2	0.1
Accruals and Consolidations		(5.2)	(4.6)	(2.3)
Maturities		(8.4)	(8.1)*	(9.6)
Provision for Early Redemptions		(0.5)	(1.1)	(1.0)
Other Sources/(Uses)		0.0	(0.3)	0.0
Net Repayment from/(Loans to) Agencies		0.0	(0.1)	0.0
Decrease/(Increase) in Liquid Reserves		4.5	2.0	2.6
Increase/(Decrease) in Short-Term Borrowing		0.0	(0.1)	0.0
Canada Pension Plan Borrowing		1.0	0.6	1.1
Long-Term Public Borrowing		**8.6**	**8.5**	**9.1**
of which:	Completed			0.6
	Remaining			8.5

Note: Numbers may not add due to rounding.
* Maturing debt is lower than the 2000 Budget Plan due to the Province exercising options on extendible bonds.

- The Province's total long-term public borrowing for 2001-02 is projected at $9.1 billion. The Province will be borrowing to refinance $9.6 billion in maturing debt, $2.3 billion related to accruals and consolidations, and $1.0 billion as a provision for early bond redemptions. Since the end of fiscal 2000-01, the Province has completed $0.6 billion of its 2001-02 long-term public borrowing program.

- The domestic market will likely remain the main source of borrowing for the Province, including the seventh annual Ontario Savings Bond campaign. The Province will continue to monitor foreign markets for cost-effective borrowing opportunities.

- In addition to the $9.1 billion in long-term public borrowing planned, up to $1.1 billion may be borrowed from the CPP, if it is cost-effective.

OEFC's Borrowing Program

The OEFC is the agency of the Province responsible for the servicing and management of the former Ontario Hydro's provincially guaranteed debt, derivative contracts and certain other liabilities. As the OEFC does not have its own credit rating, the Province borrows on its behalf. In return, the OEFC issues debt to the Province.

- For 2000-01, the Province raised almost $3.0 billion in long-term public borrowing on behalf of the OEFC, to meet that entity's $1.9 billion long-term borrowing requirements, while paying down short-term debt by $0.7 billion and pre-borrowing almost $0.4 billion for fiscal 2001-02.

- The majority of the borrowing done on behalf of the OEFC was accomplished in the Canadian dollar market. The only non-Canadian dollar borrowing was a U.S. Dollar Global reopening for $0.4 billion undertaken by the Province and lent to the OEFC.

- For 2001-02, the OEFC's long-term borrowing requirement is $3.6 billion, reflecting $4.4 billion in maturing debt, partially offset by a projected cash surplus of about $0.8 billion. The OEFC has completed nearly $0.4 billion of its 2001-02 long-term public borrowing program.

Update on Ontario Hydro Restructuring

Ontario's electricity industry was restructured on April 1, 1999. Ontario Hydro was continued as the OEFC, responsible for managing and retiring liabilities not transferred to other successor corporations. These include Ontario Power Generation Inc. (OPG), Hydro One Inc. (HOI), the Independent Electricity Market Operator (IMO), and the Electrical Safety Authority.

- The respective business units of Ontario Hydro were transferred to OPG, HOI, and the IMO in exchange for debt payable to the OEFC of $17.2 billion. The Province then exchanged equity of $8.9 billion in OPG and HOI for debt owing to the OEFC. The Province's cost of this investment is approximately $520 million of interest annually, and is reflected as an expenditure within Public Debt Interest.

- Income earned from OPG and HOI is included in the provincial surplus in "Income from Investment in Government Business Enterprises." Consistent with the government's commitment to keep electricity income in the electricity sector, net income of OPG and HOI in excess of the Province's cost of investment in its electricity subsidiaries will be set aside for the retirement of OEFC's debt. The cost of the Province's investment amounts to approximately $520 million annually. This is referred to in the accounts as a "Provision for Electricity Sector," and is an explicit demonstration of the government's intent to repay electricity sector debt with electricity sector income.

- As the government has a long-term plan in place to retire the OEFC's obligations from ratepayers and not taxpayers, the impact of OEFC's operations is separated from other government activities in the Province's financial statements.

- A separate one-line disclosure is provided for the excess of OEFC's revenues over expense, which is included in the provincial surplus.

♦ The OEFC's obligations of $38.1 billion, including stranded debt, will be repaid by cash flows from the following sources:

- Notes receivable from the Province, OPG, HOI, and the IMO, resulting from the restructuring transaction;
- Payments-in-lieu of corporate income, property and capital taxes, made by OPG, HOI, and municipal electric utilities. These revenue streams are dedicated to the OEFC, and will not be available to the taxpayer;
- A Debt Retirement Charge, to be paid by ratepayers based on the consumption of electricity; and
- Provision for Electricity Sector, described above.

♦ The government, in consultation with the Provincial Auditor, hired an independent accounting firm to review the assumptions and consistency of the OEFC debt recovery plan. Based on the conservative estimates used in the preparation of the plan, and the review performed by the accounting firm, the Province anticipates that its plan for meeting the OEFC's obligations will be completed between 2010 and 2017.

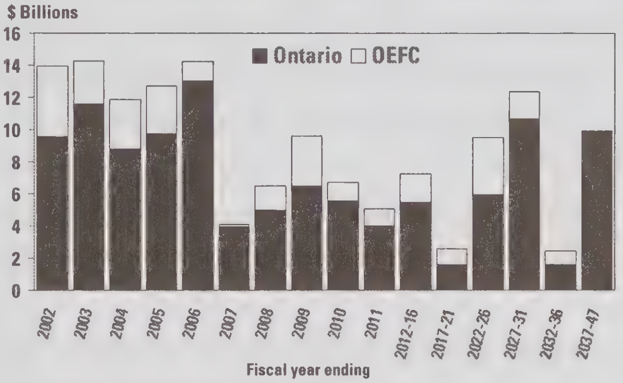
Debt Maturities

- Ontario has high amounts of debt maturities over the next five years. These amounts were created by a significant run-up in debt issuance by both the previous government and Ontario Hydro in the early 1990s.

- For 2001-02, the total amount of maturing debt for the Province and the Ontario Electricity Financial Corporation (OEFC) is $14.0 billion. In 2002-03, maturities will total $14.3 billion. The OEFC's debt is guaranteed by the Province, and the refinancing of its maturities is undertaken by the OFA on its behalf.

- In managing these maturities, the Province will maintain a flexible financing approach and monitor domestic and international bond markets to seek out the most cost-effective borrowing opportunities. The Province will also continue to smooth its maturity profile and take advantage of opportunities to schedule maturities into years that currently have lower levels of maturing debt.

Debt Maturity Profile



Source: Ontario Financing Authority.

- With reductions in Net Provincial Debt and continued prudent borrowing and debt management practices, the Province will continue to have preferred access to capital markets to refinance maturing debt.

Debt Management Policies

Ontario's debt issuance process involves various risk exposures. The Province manages its debt by adhering to prudent risk management policies to mitigate its exposures to these risks, while maintaining the needed flexibility in its borrowing and debt management programs.

- The Province's exposure to unhedged foreign currencies is limited to five per cent of debt managed on behalf of the Province. As of March 31, 2001, the Province's foreign exchange exposure was 1.7 per cent of debt.

- As of March 31, 2001, interest rate reset exposure was 12.1 per cent of debt managed on behalf of the Province. Interest rate reset exposure is the total of net floating rate exposure (i.e., gross floating rate exposure less liquid reserves) and all fixed rate debt maturing within the next 12-month period. The Province is limited to a maximum interest rate reset exposure of 25 per cent of debt.

- When issuing debt, the Province aims for a smooth debt maturity profile to diversify the interest rate risk inherent in refinancing maturing and floating-rate debt.

- Liquid reserves are maintained at levels sufficient to ensure the government can meet its short-term financial obligations. Ontario's Treasury Bill and U.S. Commercial Paper programs are also available to meet additional liquidity needs if required.

- Credit risk arises when the Province invests its liquid reserves and when it carries out debt management activities to mitigate risks associated with new borrowing and outstanding debt. To lower credit risk, the Province limits itself to undertaking transactions only with the federal and provincial governments and non-government counterparties with high credit quality. The minimum credit rating of a non-government counterparty for liquid reserve investments is R-1(mid) and for long-term transactions is A-. Approximately 80 per cent of the Province's approved counterparties are rated AA-or better.

Paper D Appendix: Financial Tables

NET PROVINCIAL DEBT
Interim 2001[1]

TABLE I(A)
($ Millions)

	1997	1998	1999	2000	Interim 2001	Plan 2002
Debt Issued for Provincial Purposes [2]						
Non-Public Debt						
Minister of Finance of Canada:						
Canada Pension Plan Investment Fund	$ 12,209	$ 11,358	$ 10,487	$ 10,369	$ 10,442	$ 10,800
Ontario Teachers' Pension Fund	14,049	13,822	13,213	12,252	11,535	11,043
Ontario Municipal Employees Retirement Fund (OMERS)	722	697	666	622	569	502
Colleges of Applied Arts and Technology Pension Plan	91	91	89	86	81	73
Ryerson Retirement Pension Plan	9	9	8	8	7	6
Canada Mortgage and Housing Corporation	1,272	1,246	1,208	1,181	1,147	1,111
Public Service Pension Fund	3,790	3,681	3,604	3,535	3,446	3,331
Ontario Public Service Employees' Union Pension Fund (OPSEU)	1,772	1,749	1,712	1,679	1,637	1,582
	$ 33,914	$ 32,653	$ 30,987	$ 29,732	$ 28,864	$ 28,448
Publicly Held Debt						
Debentures and Bonds[3]	$ 61,939	$ 68,199	$ 72,464	$ 72,549	$ 73,278	$ 73,196
Treasury Bills	2,071	675	950	3,002	2,680	2,680
U.S. Commercial Paper[3]	—	—	272	396	523	523
Other	468	455	460	458	447	446
	$ 64,478	$ 69,329	$ 74,146	$ 76,405	$ 76,928	$ 76,845
Total Debt Issued for Provincial Purposes	$ 98,392	$ 101,982	$105,133	$106,137	$105,792	$105,293
Debt Issued for Investment in Electricity Sector [4]	—	—	—	$ 8,885	$ 8,885	$ 8,885
Deposits with Province of Ontario Savings Office	$ 2,135	$ 2,245	$ 2,517	$ 2,812	$ 2,487	$ 2,500
Other Liabilities[5]	$ 20,938	$ 21,995	$ 19,237	$ 19,403	$ 16,549	$ 17,264
Total Liabilities:	$ 121,465	$126,222	$126,887	$137,237	$133,713	$133,942
Less: Financial Assets[6]	$ (12,696)	$(13,487)	$(12,150)	$(23,522)	$(22,988)	$(23,217)
Net Provincial Debt	$ 108,769	$112,735	$114,737	$113,715[7]	$110,725	$110,725

Source: Ontario Ministry of Finance.

(1) Prepared on the basis of modified accrual and consolidation accounting.
(2) Includes debt issued by Government Organizations.
(3) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.
(4) Debt issued for investment in Electricity Sector comprises notes payable to Ontario Electricity Financial Corporation as a result of a debt for equity swap between the Province and its two wholly owned subsidiaries, Ontario Power Generation Inc. and Hydro One Inc.
(5) Other Liabilities includes Accounts Payable, Accrued Liabilities, and Pensions.
(6) Financial Assets comprise Cash and Temporary Investments, Accounts Receivable and Investment in Government Enterprises (including $8,885 million of investment in Electricity Sector).
(7) For more information on Net Provincial Debt (Accumulated Deficit), please see 1999-2000 Public Accounts of Ontario, Statement of Financial Position.

DEBT MATURITY SCHEDULE
Interim 2001(1)

TABLE I(B)
($ Millions)

	Debt Issued for Provincial Purposes(2)			Ontario Electricity Financial Corporation (OEFC) Purposes(4)	
Year Ending March 31	Publicly Held Debt(3)	Non-Public Debt	Sub-Total		Total
2002	9,540(5)	1,542	11,082	3,070	14,152
2003	9,219	2,387	11,606	117	11,723
2004	5,671	2,544	8,215	350	8,565
2005	7,623	2,240	9,863	2,700	12,563
2006	10,952	2,593	13,545	500	14,045
0-5 years	43,005	11,306	54,311	6,737	61,048
6-10 years	14,087	10,201	24,288	3,835	28,123
11-15 years	329	5,466	5,795	—	5,795
16-20 years	51	1,822	1,873	19	1,892
21-25 years	5,966	67	6,033	—	6,033
26-50 years	13,490	2	13,492	604	14,096
	76,928	**28,864**	**105,792**	**11,195**	**116,987**

(1) Prepared on the basis of modified accrual and consolidation accounting.

(2) Includes debt issued by Government Organizations.

(3) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.

(4) This debt is offset by bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.

(5) Includes $2,680 million in Treasury Bills and $523 million in U.S. Commercial Paper.

SUMMARY OF ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC) INTERIM DEBT

TABLE I(C)
($ Millions)

Currency	Canadian Dollar	U.S. Dollar	Japanese Yen	31-Mar-01 Total	31-March-00 Total
Fiscal Year					
2001					5,672
2002	4,134	1,141	-	5,275	2,708
2003	2,617	-	-	2,617	2,848
2004	1,748	-	65	1,813	1,813
2005	2,700	-	-	2,700	2,000
2006	1,000	-	-	1,000	-
1-5 years	12,199	1,141	65	13,405	15,041
6-10 years	7,123	1,530	-	8,653	6,787
11-15 years	648	1,183	-	1,831	2,876
16-20 years	1,079	-	-	1,079	500
21-25 years	3,558	-	-	3,558	3,133
26-50 years	2,040	-	-	2,040	3,001
	26,647	3,854	65	30,566	31,338

OEFC Debt Statistics

As at March 31 ($ Millions)	1997	1998	1999	2000	Interim 2001	Plan 2002
Debt issued by the Province for OEFC (formerly Ontario Hydro)	3,140	2,886	4,248	9,647	11,195	13,800
Debt guaranteed by the Province	31,786	30,675	26,238	21,691	19,371	15,550
Total OEFC Debt	34,926	33,561	30,486	31,338	30,566	29,350

DESCRIPTION OF DERIVATIVE FINANCIAL INSTRUMENTS — TABLE I(D)

The table below presents a preliminary maturity schedule of the Province's derivative financial instruments, by type, outstanding at March 31, 2001, based on the notional amounts of the contracts.

The Province has sizeable financing requirements, largely due to refinance maturing indebtedness. To meet these financing requirements in the most cost-effective manner, the Province has issued a variety of debt instruments in domestic and international markets. To take advantage of favourable interest rates, the Province issues debt instruments that are repayable in numerous currencies other than Canadian dollars. The Province employs prudent debt management strategies and operates within strict limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying assets. The Province uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements, the effect of which is that each party agrees to exchange, with another party, cash flows on a notional amount during a specified period in order to offset or effectively convert its existing obligations. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

DERIVATIVE PORTFOLIO NOTIONAL VALUE
as at March 31, 2001 ($ Millions)

Maturity in Fiscal Year	2002	2003	2004	2005	2006	6-10 Years	Over 10 Years	Interim 2001 Total	1999-00 Total
Swaps:									
Interest rate	5,127	10,017	1,355	3,931	7,990	10,441	1,496	40,357	**41,888**
Cross currency	6,297	8,037	3,682	4,268	6,093	5,850	-	34,227	**38,089**
Forward foreign exchange contracts	1,090	-	-	-	-	-	-	1,090	**954**
Futures	769	-	-	-	-	-	-	769	**-**
Forward rate agreements	-	-	-	-	-	-	-	-	**50**
Options (FX & BOND)	-	-	-	-	-	-	-	-	**160**
Spreadlocks	-							-	**309**
	$ 13,283	$ 18,054	$ 5,037	$ 8,199	$ 14,083	$ 16,291	$ 1,496	$ 76,443	$ 81,450

Definitions

Notional value: represents the volume of outstanding contracts. It does not represent cash flows.

Swap: a legal arrangement, the effect of which is that each of the parties (the counterparties) takes responsibility for a financial obligation incurred by the other counterparty. An interest rate swap exchanges floating interest payments for fixed interest payments or vice versa. A cross-currency swap exchanges principal and interest payments in one currency for cash flows in another currency.

Forward foreign exchange contract: an agreement between two parties to set exchange rates in advance.

Forward rate agreement (FRA): an agreement between two parties to set future borrowing/lending rates in advance.

Future: a contract that confers an obligation to buy/sell a commodity at a specified price and amount on a future date.

Option: a contract that confers a right but not the obligation to buy/sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a fixed future period.

Spreadlocks: spreadlocks are options to enter into currency or interest rate swaps. Under a spreadlock structure, an institution may agree to provide a swap over a defined period (generally less than six months) at an agreed upon spread over a reference rate comparable to the maturity of the anticipated swap.

Schedule of Outstanding Debt Issued by the Province of Ontario **TABLE II**
Interim as at March 31, 2001

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
Debt Issued for Provincial Purposes						
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS						
NON-PUBLIC DEBT						
To Minister of Finance of Canada						
Canada Pension Plan Investment Fund:						
Year ending March 31						
2002	1982	CPP	13.66 to 16.10	768,736,000	768,736,000	
2003	1983	CPP	12.01 to 16.53	1,235,751,000	1,235,751,000	
2004	1984	CPP	10.92 to 12.14	1,200,847,000	1,200,847,000	
2005	1985	CPP	12.08 to 14.06	1,133,182,000	1,133,182,000	
2006	1986	CPP	10.58 to 12.57	1,213,502,000	1,213,502,000	
2007	1987	CPP	9.36 to 10.17	232,269,000	232,269,000	
2008	1988	CPP	10.79	42,300,000	42,300,000	
2012	1992	CPP	9.81 to 10.04	987,249,000	987,249,000	
2013	1993	CPP	9.17 to 9.45	700,137,000	700,137,000	
2019	1999	CPP	5.81 to 5.84	45,270,000	45,270,000	
2020	1999	CPP	5.5 to 6.91	869,889,000	869,889,000	
2021	2000	CPP	6.33 to 6.67	609,834,000	609,834,000	
					9,038,966,000	
Issued by Government Organizations						
2009	1989	CPP	9.15 to 10.31	310,439,000	310,439,000	
2010	1990	CPP	9.78 to 11.33	925,157,000	925,157,000	
2011	1991	CPP	9.81 to 10.04	91,630,000	91,630,000	
2012	1992	CPP	9.00 to 9.45	75,135,000	75,135,000	
					1,402,361,000	
Total to Canada Pension Plan Investment Fund					**10,441,327,000**	(5)
To Ontario Teachers' Pension Fund:						
Year ending March 31						
2002	1977-1991	TI	9.54 to 10.11	492,524,321	492,524,321	
2003	1978-1991	TI	9.82 to 10.53	655,570,855	655,570,855	
2004	1982-1984	TI	12.88 to 13.34	900,000,000	900,000,000	
2005	1984-1991	TI	12.60 to 13.27	821,000,000	821,000,000	
2006	1985-1991	TI	11.07 to 14.40	1,070,000,000	1,070,000,000	
2007	1985-1991	TI	10.26 to 13.01	1,185,000,000	1,185,000,000	
2008	1983-1991	TI	10.15 to 15.38	1,945,000,000	1,945,000,000	
2009	1986-1991	TI	10.98 to 11.50	1,465,000,000	1,465,000,000	
2010	1986-1991	TI	10.22 to 11.24	1,236,000,000	1,236,000,000	
2011	1987	TI	10.11 to 10.32	560,000,000	560,000,000	
2012	1988-1991	TI	10.68 to 11.24	580,000,000	580,000,000	
2013	1989-1991	TI	11.06 to 11.31	625,000,000	625,000,000	
					11,535,095,176	(1)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
To Ontario Municipal Employees Retirement Fund:						
Year ending March 31						
2002	1996	MER	7.85	67,500,000	67,500,000	
2003	1996	MER	8.02 to 10.28	235,259,824	235,259,824	
2004	1996	MER	9.45	163,695,000	163,695,000	
2007	1996	MER	9.77	102,675,000	102,675,000	
					569,129,824	(1)(38)
To College of Applied Arts & Technology Pension Plan:						
Year ending March 31						
2002	1996	CAAT	7.85	7,500,000	7,500,000	
2003	1996	CAAT	8.02 to 10.28	30,540,176	30,540,176	
2004	1996	CAAT	9.45	24,255,000	24,255,000	
2007	1996	CAAT	9.77	18,625,000	18,625,000	
					80,920,176	(1)(38)
To Ryerson Retirement Pension Plan:						
Year ending March 31						
2002	1995	RRPF	16.95	732,095	732,095	
2003	1995	RRPF	14.65	926,036	926,036	
2004	1995	RRPF	12.78	1,081,061	1,081,061	
2005	1995	RRPF	13.33	1,229,597	1,229,597	
2006	1995	RRPF	11.16	1,464,199	1,464,199	
2007	1995	RRPF	9.64	1,618,485	1,618,485	
					7,051,473	(1)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
To Canada Mortgage and Housing Corporation:						
Year ending March 31						
2000-2003	1971 to 1978	CMHC	5.375	688,415	88,008	
2000-2004	1974 to 1975	CMHC	5.125 to 7.875	1,296,489	250,336	
2000-2005	1971 to 1975	CMHC	5.125 to 8.625	2,754,646	749,350	
2000-2006	1973 to 1976	CMHC	5.125 to 10.375	2,200,837	873,186	
2000-2007	1974 to 1977	CMHC	5.375 to 10.375	6,049,712	2,781,119	
2000-2010	1970 to1975	CMHC	5.75 to 6.875	4,312,601	1,922,482	
2000-2011	1971 to 1976	CMHC	5.375 to 8.25	5,876,136	3,309,104	
2000-2012	1972	CMHC	6.875 to 8.25	7,281,714	4,245,473	
2000-2013	1973	CMHC	7.25 to 8.25	1,252,053	786,855	
2000-2014	1974	CMHC	6.125 to 8.25	19,734,125	12,668,635	
2000-2015	1975	CMHC	7.50 to 10.375	11,488,523	7,843,729	
2000-2016	1976	CMHC	5.375 to 10.75	22,775,312	16,591,970	
2000-2017	1977	CMHC	7.625 to 10.75	15,797,368	12,239,138	
2000-2018	1977 to 1978	CMHC	7.625 to 13.00	38,133,367	31,212,792	
2000-2019	1977 to 1980	CMHC	7.625 to 15.25	41,958,001	35,368,232	
2000-2020	1978 to 1980	CMHC	7.625 to 15.75	65,976,661	56,489,132	
2000-2021	1981	CMHC	9.50 to 15.75	30,946,135	27,088,148	
2000-2022	1982	CMHC	9.75 to 15.75	1,177,064	1,066,948	
					215,574,637	(2)(7)
To Canada Mortgage and Housing Corporation (CMHC) Section 40 Debt:						
2002	1982	CMHC	7.099	36,967,243	3,311,039	(2)(7)
Issued by Government Organizations						
2003	N/A	CMHC	5.125 to 7.98		6,447	
2004	N/A	CMHC	5.2068 to 7.98		28,736	
2005	N/A	CMHC	5.125 to 7.98		24,387	
2006	N/A	CMHC	4.25 to 7.98		65,978	
2007	N/A	CMHC	4.6739 to 7.98		291,294	
2008	N/A	CMHC	5.875 to 7.98		219,609	
2009	N/A	CMHC	5.375 to 7.98		175,886	
2010	N/A	CMHC	6.4598 to 7.98		871,718	
2011	N/A	CMHC	6.4159 to 7.98		7,796,972	
2012	N/A	CMHC	5.2994 to 7.98		398,232	
2013	N/A	CMHC	5.375 to 7.98		5,887,316	
2014	N/A	CMHC	5.6206 to 7.98		17,755,439	
2015	N/A	CMHC	5.822 to 7.98		16,302,157	
2016	N/A	CMHC	6.1388 to 7.98		44,119,355	
2017	N/A	CMHC	6.2491 to 7.98		68,351,266	
2018	N/A	CMHC	7.1327 to 7.98		56,209,137	
2019	N/A	CMHC	5.875 to 7.98		60,366,487	

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
2020	N/A	CMHC	6.25 to 7.98		193,960,246	
2021	N/A	CMHC	5.75 to 7.98		93,976,368	
2022	N/A	CMHC	6.089 to 8.25		97,114,033	
2023	N/A	CMHC	6.089 to 7.98		78,891,563	
2024	N/A	CMHC	6.089 to 7.98		64,994,700	
2025	N/A	CMHC	6.089 to 7.98		54,313,913	
2026	N/A	CMHC	6.089 to 7.98		23,861,405	
2027	N/A	CMHC	6.089		23,179,552	
2028	N/A	CMHC	6.089		3,513,939	
					928,325,157	(7)
Total to Canada Mortgage and Housing Corporation					**1,147,210,833**	
To Public Service Pension Fund:						
Year ending March 31						
2002	1997	OPB	10.13 to 13.48	101,778,265	50,889,133	
2003	1997	OPB	9.81 to 16.95	128,554,996	128,554,996	
2004	1997	OPB	9.50 to 14.65	134,530,331	134,530,331	
2005	1997	OPB	9.82 to 12.78	160,431,479	160,431,479	
2006	1997	OPB	11.05 to 13.33	172,212,515	172,212,515	
2007	1997	OPB	11.16 to 13.33	188,766,466	188,766,466	
2008	1997	OPB	15.38	218,362,903	218,362,903	
2009	1997	OPB	12.79	264,512,886	264,512,886	
2010	1997	OPB	12.88	273,669,452	273,669,452	
2011	1997	OPB	13.33	282,994,558	282,994,558	
2012	1997	OPB	11.55	336,229,108	336,229,108	
2013	1997	OPB	10.38	374,479,804	374,479,804	
2014	1997	OPB	11.10	409,677,031	409,677,031	
2015	1997	OPB	11.19	450,938,707	450,938,707	
					3,446,249,369	(1)(23)(65)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
To Public Service Employees' Union Pension Fund:						
Year ending March 31						
2002	1997	OPPT	10.13 to 13.48	48,350,235	21,175,117	
2003	1997	OPPT	9.81 to 16.91	61,070,644	61,070,644	
2004	1997	OPPT	9.50 to 14.65	63,909,254	63,909,254	
2005	1997	OPPT	9.82 to 12.78	76,213,714	76,213,714	
2006	1997	OPPT	11.05 to 13.33	81,810,350	81,810,350	
2007	1997	OPPT	11.16 to 13.33	89,674,381	89,674,381	
2008	1997	OPPT	15.38	103,734,305	103,734,305	
2009	1997	OPPT	12.79	125,658,067	125,658,067	
2010	1997	OPPT	12.88	130,007,936	130,007,936	
2011	1997	OPPT	13.33	134,437,870	134,437,870	
2012	1997	OPPT	11.55	159,727,189	159,727,189	
2013	1997	OPPT	10.38	177,898,359	177,898,359	
2014	1997	OPPT	11.10	194,618,964	194,618,964	
2015	1997	OPPT	11.19	214,220,513	214,220,513	
					1,637,156,663	(1)(23)(65)
TOTAL NON- PUBLIC DEBT ISSUED					**28,864,140,514**	
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS						
PUBLICLY HELD DEBT						
Dec. 12, 2001	Aug. 12, 1991	GS	10.50	600,000,000	600,000,000	(1)
Apr. 22, 2003	Dec. 29, 1992	HG	8.75	750,000,000	750,000,000	(1)
Jul. 13, 2003	Jan. 13, 2000	NB	Floating	100,000,000	100,000,000	(8)
Sept. 16, 2003	Sept. 16, 1998	MA	Floating	100,000,000	100,000,000	(1)(73)
June 2, 2004	Feb. 3, 2000	MG	4.875	200,000,000	200,000,000	(1)(70)
July 14, 2004	July 14, 1999	MQ	6.15	60,000,000	60,000,000	(31)
Sept. 15, 2004	June 21, 1994	HU	9.00	1,450,000,000	1,450,000,000	(1)
Dec. 02, 2004	Oct. 28, 1999	MV	6.40	107,000,000	107,000,000	(34)
Mar. 08, 2005	Dec. 10, 1999	MZ	6.25	1,000,000,000	1,000,000,000	(1)
May 13, 2005	May 13, 1999	ML	5.85	50,000,000	50,000,000	(44)
Dec. 1, 2005	Sept. 13, 1995	JP	8.25	1,000,000,000	1,000,000,000	(1)
Feb. 1, 2006	Feb. 1, 1999	MJ	5.00	90,000,000	90,000,000	(1)
Feb. 20, 2006	Feb. 20, 1996	JZ	0.00-17.25	107,000,000	107,000,000	(1)(40)
Mar. 8, 2006	Oct. 26, 2000	NL	5.90	500,000,000	500,000,000	(1)
July 24, 2006	July 24, 1996	KE	7.75	600,000,000	593,800,000	(1)(39)
Jan. 12, 2007	Jan. 12, 1995	JF	9.50	200,000,000	132,950,000	(1)(21)
June 27, 2007	June 27, 1997	LB	7.20	100,000,000	100,000,000	(68)
Sept. 12, 2007	Sept. 12, 1997	LE	6.125	1,100,000,000	1,085,000,000	(1)(39)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PUBLICLY HELD DEBT- Continued						
Dec. 10, 2007	Dec. 10, 1997	LH	5.875	125,000,000	125,000,000	(1)
June 3, 2008	June 3, 1999	MN	Floating	50,000,000	50,000,000	(46)
July 15, 2008	Feb. 6, 1998	LM	5.50	75,000,000	75,000,000	(1)
Sept. 4, 2008	Sept. 4, 1998	LW	6.30	50,000,000	50,000,000	(86)
Oct. 19, 2008	Aug. 19, 1999	MS	Floating	50,000,000	50,000,000	(58)
Dec. 1, 2008	Sept. 15, 1998	LZ	5.70	1,550,000,000	1,550,000,000	(1)(96)
Dec. 19, 2008	June 28, 1999	MP	Floating	50,000,000	50,000,000	(60)
Apr. 1, 2009	Apr. 1, 1998	LR	6.15	205,000,000	205,000,000	(87)
July 27, 2009	July 27, 1999	MR	5.75-6.50	40,000,000	40,000,000	(25)
Sept. 4, 2009	Sept. 4, 1997	LD	6.00-7.625	75,000,000	75,000,000	(71)
Oct. 10, 2009	Oct. 10, 1997	LG	5.875-7.00	50,000,000	50,000,000	(72)
Nov. 13, 2009	Nov. 13, 1998	MD	5.40-6.10	47,000,000	47,000,000	(88)
Nov. 19, 2009	Nov. 19, 1999	MU	6.20	1,000,000,000	1,000,000,000	(1)
Mar. 2, 2010	Mar. 2, 1998	LP	6.15	60,000,000	60,000,000	(82)
Nov. 19, 2010	Nov. 24, 2000	NK	6.10	1,500,000,000	1,500,000,000	(1)
Sept. 22, 2011	Sept. 22, 1999	MT	6.10-7.125	40,000,000	40,000,000	(49)
Sept. 1, 2015	Sept. 1, 2000	DMTN1	6.25	34,000,000	34,000,000	(1)(45)
Sept. 4, 2020	Sept. 4, 1998	LY	6.30	50,000,000	50,000,000	(89)
July 13, 2022	July 13, 1992	HC	9.50	1,850,000,000	1,850,000,000	(1)
Sept. 8, 2023	Sept. 8, 1993	HP	8.10	1,350,000,000	1,350,000,000	(1)
June 2, 2025	Dec. 20, 1994	JE	9.50	500,000,000	500,000,000	(1)
Dec. 2, 2025	Oct. 5, 1995	JQ	8.50	1,000,000,000	1,000,000,000	(1)
Feb. 6, 2026	Feb. 6, 1996	JY	8.00	50,000,000	12,500,000	(1)(93)
June 2, 2026	Dec. 21, 1995	JU	8.00	1,000,000,000	1,000,000,000	(1)
Dec. 2, 2026	Feb. 13, 1997	KR	8.00	425,000,000	425,000,000	(1)
Dec. 2, 2026	Jan. 20, 1999	MH	7.00	124,584,000	124,584,000	(1)(90)
Feb. 3, 2027	Aug. 5, 1997	KN	7.50	300,000,000	62,600,000	(74)
Feb. 3, 2027	Aug. 5, 1997	KT	6.95	200,000,000	34,275,000	(75)
Feb. 3, 2027	Apr. 1, 1997	KY	7.50	68,000,000	11,549,000	(1)
Feb. 3, 2027	Dec. 4, 1998	LA	7.50	50,000,000	5,507,000	(1)
Feb. 4, 2027	Feb. 4, 1998	KQ	7.375	125,000,000	990,000	(76)
June 2, 2027	Oct. 17, 1996	KJ	7.60	4,170,300,000	4,170,300,000	(1)(77)
Aug. 25, 2028	Feb. 25, 1998	LQ	6.25	645,243,000	2,020,000	(1)
Mar. 8, 2029	Jan. 8, 1998	LK	6.50	4,677,000,000	4,677,000,000	(1)(95)
Jan. 13, 2031	Sept. 8, 1995	JN	9.50	125,000,000	125,000,000	(1)
June 2, 2031	Mar. 27, 2000	NF	6.20	1,000,000,000	1,000,000,000	(1)
Nov. 3, 2034	Nov. 3, 1994	HY	9.75	280,000,000	280,000,000	(1)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PUBLICLY HELD DEBT-Continued						
Jan. 10, 1995 to Jan. 10, 2035	Nov. 30, 1994	HZ	9.4688	189,616,626	15,876,154	(1)(24)
" "	" "	JA	9.4688	24,766,559	24,766,559	(1)(24)
" "	" "	JB	9.4688	8,482,324	8,482,324	(1)(24)
" "	" "	JC	9.4688	4,764,354	4,764,354	(1)(24)
" "	" "	JD	9.4688	3,171,134	3,171,134	(1)(24)
Feb. 8, 2035	Feb. 8, 1995	JJ	9.875	73,000,000	73,000,000	(19)
June 20, 2036	June 20, 1996	KC	8.25	211,000,000	211,000,000	(1)
June 20, 2038	Sept. 16, 1996	KG	8.10	120,000,000	120,000,000	(1)
July 13, 2038	July 29, 1998	LS	5.75	50,000,000	50,000,000	(1)
Aug. 25, 2038	Aug. 17,1998	LT	6.00	100,000,000	100,000,000	(1)
July 13, 2039	Feb. 2, 1999	MK	5.65	250,000,000	250,000,000	(1)(37)
Dec. 2, 2039	Feb. 25, 2000	NE	5.70	263,700,000	263,700,000	(1)(94)
Jan. 10, 2045	May 25, 1995	JL	8.39	35,531,176	35,531,176	(1)(41)
Mar. 1, 2045	Mar. 1, 1995	JK	9.50	150,000,000	150,000,000	(20)
					31,018,366,701	
ONTARIO SAVINGS BONDS						
March 1, 2000	March 1, 1995	Annual	Variable	789,297,500	20,973,500	(29)
March 1, 2000	March 1, 1995	Compound	Variable	817,902,500	23,878,050	(29)
June 21, 2000	June 21, 1997	Annual	Fixed	281,498,800	2,056,900	(29)
June 21, 2000	June 21, 1997	Compound	Fixed	168,756,600	1,788,600	(29)
June 21, 2001	June 21, 1996	Annual	Step-Up	279,338,000	273,082,800	(62)(63)
June 21, 2001	June 21, 1996	Compound	Step-Up	337,518,000	287,654,300	(62)(63)
June 21, 2001	June 21, 1996	Annual	Variable	219,990,000	38,973,500	(62)(64)
June 21, 2001	June 21, 1996	Compound	Variable	194,579,100	35,547,600	(62)(64)
June 21, 2001	June 21, 1998	Annual	Fixed	101,725,500	105,677,000	(6)(30)(62)
June 21, 2001	June 21, 1998	Compound	Fixed	78,706,000	73,579,200	(30)(62)
June 21, 2002	June 21, 1999	Annual	Fixed	160,184,700	163,338,900	(6)(30)(62)
June 21, 2002	June 21, 1999	Compound	Fixed	148,829,300	144,341,400	(30)(62)
June 21, 2003	June 21, 1999	Compound	Step-Up	404,053,600	258,424,900	(62)(92)
June 21, 2003	June 21, 1998	Annual	Step-Up	439,199,300	272,657,000	(62)(92)
June 21, 2003	June 21, 2000	Annual	Fixed	432,459,400	433,841,100	(6)(30)(62)
June 21, 2003	June 21, 2000	Compound	Fixed	362,585,200	360,850,800	(30)(62)(92)
June 21, 2004	June 21, 1997	Annual	Step-Up	447,763,300	447,929,700	(6)(62)(66)
June 21, 2004	June 21, 1997	Compound	Step-Up	451,525,200	370,831,100	(62)(66)
June 21, 2004	June 21, 1997	Annual	Variable	107,533,500	20,527,900	(62)(67)
June 21, 2004	June 21, 1997	Compound	Variable	80,484,400	16,337,500	(62)(67)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
ONTARIO SAVINGS BONDS-Continued						
June 21, 2004	June 21, 1999	Compound	Step-up	386,322,100	256,507,300	(62)(28)
June 21, 2004	June 21, 1999	Annual	Step-up	350,043,000	240,044,500	(62)(28)
June 21, 2005	June 21, 1998	Annual	Variable	495,453,600	169,968,000	(62)(81)
June 21, 2005	June 21, 1998	Compound	Variable	435,985,400	152,767,800	(62)(81)
June 21, 2005	June 21, 2000	Annual	Step-Up	711,832,300	710,831,300	(62)(48)
June 21, 2005	June 21, 2000	Compound	Step-Up	628,656,700	616,243,000	(62)(48)
June 21, 2006	June 21, 1999	Compound	Variable	447,350,800	180,885,700	(62)(81)
June 21, 2006	June 21, 1999	Annual	Variable	556,662,200	198,714,600	(62)(81)
June 21, 2007	June 21, 2000	Compound	Variable	513,553,000	438,795,300	(62)(56)
June 21, 2007	June 21, 2000	Annual	Variable	731,472,600	610,636,100	(62)(56)
					6,927,185,350	(1)
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS					37,945,552,051	
(B) GLOBAL MARKET PAYABLE IN CANADIAN DOLLARS						
Mar. 11, 2003	Mar. 11, 1993	HK	8.00	1,500,000,000	1,500,000,000	
Dec. 8, 2003	July 20, 1993	HM	7.75	1,250,000,000	1,250,000,000	
Jan. 24, 2005	Jan. 24, 2000	NC	Floating	500,000,000	500,000,000	(50)
Jan. 19, 2006	Jan. 19, 1996	JV	7.50	1,250,000,000	1,240,000,000	(39)
Feb. 7, 2024	Feb. 7, 1994	HS	7.50	1,250,000,000	1,250,000,000	
TOTAL PAYABLE IN CANADIAN DOLLARS					5,740,000,000	(1)
(C) PAYABLE IN EUROPE IN CANADIAN DOLLARS						
Apr. 5, 2001	Feb. 22, 1996	JW	6.23	510,125,000	510,125,000	(42)
Oct. 29, 2001	Oct. 29, 1991	GX	9.75	750,000,000	750,000,000	
Nov. 6, 2001	Nov. 6, 1998	MC	5.00	100,000,000	100,000,000	
Nov. 27, 2003	Nov. 27, 1998	ME	5.00	250,000,000	250,000,000	
Sept. 27, 2005	Sept. 27, 1993	HQ	7.25	500,000,000	500,000,000	
Dec. 1, 2005	Dec. 1, 1999	EMTN045	6.50	325,000,000	325,000,000	
Jan. 27, 2009	Jan. 27, 1999	EMTN042	5.00	250,000,000	250,000,000	
July 13, 2034	July 13, 1994	EMTN005	9.40	300,000,000	300,000,000	
TOTAL PAYABLE IN EUROPE IN CANADIAN DOLLARS					2,985,125,000	(1)
(D) PAYABLE IN UNITED STATES IN CANADIAN DOLLARS						
Feb. 18, 2013	Feb. 18, 1993	HJ	9.24	250,000,000	250,000,000	
TOTAL PAYABLE IN UNITED STATES IN CANADIAN DOLLARS					250,000,000	(1)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
(E) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS						
Oct. 17, 2001	Oct. 17, 1991	GY	8.00	750,000,000	750,000,000	
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS					750,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.18125					885,937,495	(10)
(F) GLOBAL MARKET PAYABLE IN U.S. DOLLARS						
June 4, 2002	June 4, 1992	HB	7.75	2,000,000,000	2,000,000,000	
Jan. 27, 2003	Jan. 27, 1993	HH	7.375	3,000,000,000	3,000,000,000	
June 22, 2004	June 22, 1994	HV	7.625	1,000,000,000	1,000,000,000	
Aug. 4, 2005	Aug. 4, 1995	JM	7.00	1,000,000,000	1,250,000,000	
Feb. 21, 2006	Feb. 21, 1996	KA	6.00	1,500,000,000	1,800,000,000	
Oct. 1, 2008	Oct. 1, 1998	MB	5.50	1,000,000,000	1,000,000,000	
TOTAL PAYABLE IN U.S. DOLLARS					10,050,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.34374					13,504,621,133	(43)
(G) PAYABLE IN CANADA IN U.S. DOLLARS						
Apr. 24, 2005	Apr. 24, 1995	DMTN1	Floating	100,000,000	100,000,000	
May 1, 2005	May 1, 1995	DMTN2	Floating	100,000,000	100,000,000	
May 9, 2005	May 9, 1995	DMTN3	Floating	100,000,000	100,000,000	
May 16, 2005	May 16, 1995	DMTN4	Floating	100,000,000	100,000,000	
TOTAL PAYABLE IN CANADA IN U.S. DOLLARS					400,000,000	(35)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.36625					546,500,000	(9)
(H) PAYABLE IN EUROPE IN U.S. DOLLARS						
June 12, 2003	Jan. 19, 2001	EMTN 47	Floating	100,000,000	100,000,000	
TOTAL PAYABLE IN EUROPE IN U.S. DOLLARS					100,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.5260					152,600,000	(11)
(I) PAYABLE IN JAPAN IN U.S. DOLLARS						
July 17, 2001	July 17, 1997	LC	3.25	285,714,000	285,714,000	(78)
TOTAL PAYABLE IN JAPAN IN U.S. DOLLARS					285,714,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.25980					359,942,263	(85)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
(J) PAYABLE IN JAPAN IN JAPANESE YEN						
Jan. 28, 2003	Jan. 28, 1993	YL001	5.50	10,000,000,000	10,000,000,000	(1)
Mar. 24, 2003	Mar. 22, 1993	YL002	4.80	7,000,000,000	7,000,000,000	(1)
Aug. 25, 2003	Aug. 25, 1993	YL003	Floating	10,000,000,000	10,000,000,000	(1)(4)
Sept. 22, 2003	Sept. 22, 1993	YL004	5.20	10,000,000,000	10,000,000,000	(1)
July 6, 2004	July 6, 1994	YL005	4.40	10,000,000,000	10,000,000,000	(1)
July 21, 2004	July 21, 1994	YL006	4.53	10,000,000,000	10,000,000,000	(1)
July 28, 2004	July 27, 1994	YL007	4.55	7,000,000,000	7,000,000,000	(22)
Sept. 8, 2004	Sept. 7, 1994	YL008	4.71	7,000,000,000	7,000,000,000	(1)
Oct. 25, 2004	Oct. 25, 1994	YL009	5.00	10,000,000,000	10,000,000,000	(1)
Dec. 20, 2004	Dec. 20, 1994	YL010	4.80	5,000,000,000	5,000,000,000	(1)
Aug. 31, 2005	Aug. 31, 1995	YL011	3.10	25,000,000,000	25,000,000,000	(1)
Mar. 16, 2007	Mar. 18, 1997	KU	3.10	5,000,000,000	5,000,000,000	(1)(54)
Mar. 16, 2007	Mar. 18, 1997	KV	3.25	15,000,000,000	15,000,000,000	(1)(55)
July 18, 2007	July 18, 1997	YL012	2.615	10,000,000,000	10,000,000,000	(1)
Nov. 12, 2009	Nov. 12, 1999	YL014	2.00	10,000,000,000	10,000,000,000	(1)
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN					151,000,000,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.012980					1,959,928,967	(14)
(K) GLOBAL MARKET PAYABLE IN JAPANESE YEN						
Jan. 25, 2010	Jan. 25, 2000	ND	1.875	50,000,000,000	50,000,000,000	
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN					50,000,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.01256					628,000,000	
(L) PAYABLE IN EUROPE IN JAPANESE YEN						
June 20, 2001	July 11, 1994	HW	4.40	100,000,000,000	100,000,000,000	
July 12, 2001	July 12, 1994	EMTN006	3.90	5,000,000,000	5,000,000,000	(32)
Nov. 10, 2001	Nov. 10, 1994	EMTN012	4.75	3,000,000,000	3,000,000,000	
Mar. 15, 2005	Mar. 15, 1995	EMTN015	6.00	2,000,000,000	2,000,000,000	(33)
Sept. 8, 2005	Mar. 23, 1998	EMTN037	6.21	10,000,000,000	10,000,000,000	
Sept. 19, 2005	Sept. 4,1998	EMTN038	6.205	10,000,000,000	10,000,000,000	
Aug. 29, 2006	Aug. 29, 1996	EMTN021	4.28	10,000,000,000	10,000,000,000	(57)
Mar. 26, 2007	Apr. 3, 1997	EMTN033	3.20	10,000,000,000	10,000,000,000	(47)
June 13, 2007	June 13, 1997	EMTN034	3.58	10,000,000,000	10,000,000,000	(79)
Feb. 25, 2008	Feb. 25, 1998	EMTN036	2.60	7,100,000,000	7,100,000,000	(80)
Nov. 19, 2009	Nov. 24, 1999	EMTN046	2.00	10,000,000,000	10,000,000,000	
TOTAL PAYABLE IN EUROPE IN JAPANESE YEN					177,100,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.015028					2,661,380,515	(15)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
(M) PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS						
Oct. 15, 2001	Oct. 15, 1996	EMTN025	5.00	125,000,000	125,000,000	
TOTAL PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS					125,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.09189					136,486,250	(18)
(N) PAYABLE IN EUROPE IN DEUTSCHE MARKS						
Jan. 13, 2004	Jan. 13, 1994	HR	6.25	1,500,000,000	1,439,150,000	(3)
TOTAL PAYABLE IN EUROPE IN DEUTSCHE MARKS					1,439,150,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.86581					1,246,029,301	(16)
(O) PAYABLE IN EUROPE IN EUROS						
Feb. 17, 2006	Feb. 17, 1999	EMTN043	3.50	27,000,000	27,000,000	(1)
TOTAL PAYABLE IN EUROPE IN EUROS					27,000,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.6890					45,603,000	(27)
(P) PAYABLE IN EUROPE IN FRENCH FRANCS						
July 29, 2008	July 29, 1996	KD	6.875	3,000,000,000	3,000,000,000	
July 21, 2009	July 21, 1997	EMTN035	5.875	3,000,000,000	3,000,000,000	
TOTAL PAYABLE IN EUROPE IN FRENCH FRANCS					6,000,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.28491					1,709,459,932	(53)
(Q) PAYABLE IN EUROPE IN GREEK DRACHMA						
June 19, 2001	June 19, 1998	EMTN040	Floating	10,000,000,000	10,000,000,000	(36)
TOTAL PAYABLE IN EUROPE IN GREEK DRACHMA					10,000,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.004903					49,031,053	(59)
(R) PAYABLE IN EUROPE IN NETHERLANDS GUILDERS						
Sept. 27, 2004	Sept. 27, 1994	HX	7.75	500,000,000	400,000,000	(26)
TOTAL PAYABLE IN EUROPE IN NETHERLAND GUILDERS					400,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.77542					310,168,000	(17)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
(S) GLOBAL MARKET PAYABLE IN NEW ZEALAND DOLLARS						
Dec. 3, 2008	Dec. 3, 1998	MF	6.25	250,000,000	250,000,000	
TOTAL PAYABLE IN NEW ZEALAND DOLLARS					250,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.82770					206,925,000	(69)
(T) PAYABLE IN EUROPE IN NORWEGIAN KRONER						
Dec. 29, 2004	Sept. 12, 1996	EMTN022	7.00	300,000,000	300,000,000	
TOTAL PAYABLE IN EUROPE IN NORWEGIAN KRONER					300,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.21235					63,704,048	(61)
(U) PAYABLE IN EUROPE IN POUNDS STERLING						
July 30, 2002	July 30, 1992	HD	9.375	200,000,000	200,000,000	
June 10, 2004	June 10, 1998	EMTN039	6.375	200,000,000	200,000,000	
TOTAL PAYABLE IN EUROPE IN POUNDS STERLING					400,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $2.30675					922,700,000	(12)
(V) PAYABLE IN EUROPE IN SWISS FRANCS						
June 29, 2001	Mar. 29, 1996	KB	4.00	250,000,000	250,000,000	
Jan. 27, 2003	Jan. 27, 1993	HF	6.25	400,000,000	400,000,000	
July 7, 2003	July 7, 1998	EMTN041	2.50	250,000,000	250,000,000	
TOTAL PAYABLE IN EUROPE IN SWISS FRANCS					900,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.07645					968,804,139	(13)
TOTAL DEBENTURES AND BONDS					73,278,498,147	
TREASURY BILLS					2,679,700,000	(84)
U.S. COMMERCIAL PAPER (in U.S. Dollars)					347,500,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.50467					522,871,875	(91)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
Other Debt Issued by Government Organizations						
PAYABLE IN THE UNITED STATES IN U.S. DOLLARS						
July 1, 2006	Mar. 31, 1994	Collateralized financing	7.261 to 7.395	311,866,966	316,928,050	
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS					316,928,050	
CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.4115					447,339,003	
TOTAL PUBLICLY HELD DEBT ISSUED					**76,928,409,025**	
TOTAL DEBT ISSUED FOR PROVINCIAL PURPOSES					**105,792,549,539**	(83)

Debt Issued for Ontario Electricity Financial Corporation (OEFC)*

(A) PAYABLE IN CANADA IN CANADIAN DOLLARS

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
NON-PUBLIC DEBT						
Canada Pension Plan Investment Fund						
2002	1981	CPP	14.81 to 17.51	500,000,000	500,000,000	
2007	1986	CPP	9.64	119,000,000	119,000,000	
2008	1988	CPP	9.13 to 9.72	388,715,000	388,715,000	
2009	1989	CPP	9.62 to 10.31	589,319,000	589,319,000	
2010	1990	CPP	9.61 to 10.31	650,712,000	650,712,000	
2021	2001	CPP	6.08	19,375,000	19,375,000	
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS					2,267,121,000	(5)

*This debt is offset by Bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the Ontario Electricity Act, 1998, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario-Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
(B) PAYABLE IN CANADA IN CANADIAN DOLLARS						
PUBLICLY HELD DEBT						
Nov. 1, 2002	May 9, 2000	HC-NH	6.239	116,995,000	116,812,956	(98)
June 2, 2004	Dec. 9, 1998	HC-MG	4.875	2,500,000,000	2,500,000,000	(52)
Mar. 8, 2006	Mar. 8, 2001	CDB-NLA	5.90	500,000,000	500,000,000	
Dec. 1, 2008	Jan. 22, 1999	HC-LZ	5.70	650,000,000	650,000,000	(97)
Nov. 19, 2009	July 26, 2000	HC-MU	6.20	500,000,000	500,000,000	
Nov. 19, 2010	Sept. 1, 2000	HC-NK	6.10	500,000,000	500,000,000	
Mar. 15, 2011	Mar. 15, 2001	DMTN3	5.50-6.80	50,000,000	50,000,000	(99)
June 2, 2027	Feb. 4, 2000	HC-KJA	7.60	25,500,000	25,500,000	
Aug. 25, 2028	April 6, 1999	HC-LQA	6.25	78,600,000	78,600,000	
June 2, 2031	Feb. 24, 2000	HC-NF	6.20	500,000,000	500,000,000	(51)
					5,420,912,956	
(C) PAYABLE IN EUROPE IN CANADIAN DOLLARS						
Nov. 27, 2003	June 17, 1999	HC-ME	5.00	350,000,000	350,000,000	
Feb. 28, 2005	Feb. 28, 2001	EMTN-48	5.25	200,000,000	200,000,000	
					550,000,000	
(D) GLOBAL MARKET PAYABLE IN U.S. DOLLARS						
Oct. 1, 2008	Mar. 19, 2001	GLB-MBB	5.5	250,000,000	250,000,000	
TOTAL PAYABLE IN U.S. DOLLARS					250,000,000	
CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.550					387,500,000	(100)
TREASURY BILLS					2,134,000,000	
US COMMERCIAL PAPER (in U.S. Dollars)					286,000,000	
CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.5240					435,865,225	
TOTAL DEBT ISSUED FOR ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC)					**11,195,399,181**	

References:

1. Non-callable.
2. Liability to Canada Mortgage and Housing Corporation assumed by the Ministry of Finance upon the dissolution of Ontario Land Corporation.
3. On October 13, 1999 the Province purchased for cancellation 60.85 million Deutsche Marks of the HR Series bonds.
4. Interest payable is six-month Yen LIBOR.
5. Securities sold to the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice, when the Minister deems it necessary in order to meet the requirements of the Canada Pension Plan. In the case of redemption before maturity, the Ontario Securities are to be redeemed in the order in which they were issued and the amount of Ontario Securities to be redeemed at any time shall be proportionate to the amount of all securities then held to the credit of the said fund represented by Ontario Securities.
6. The par value of bonds outstanding exceeds the original par value of bonds issued due to conversions from compound interest form bonds into annual interest form bonds.
7. The terms of these debentures require that equal payments be made each year until their maturity. Each payment consists of blended principal and interest.
8. Interest payable is three-month Canadian BA.
9. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.36625. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.64%.
10. The Province entered into currency exchange agreements that effectively converted the U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.18125. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 9.69%.
11. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.5260. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.66% .
12. The Province entered into currency exchange agreements that effectively converted these Pounds Sterling obligations to Canadian Dollar obligations at an exchange rate of 2.30675. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.81%.
13. The Province entered into currency exchange agreements that effectively converted these Swiss Franc obligations to Canadian Dollar obligations at an exchange rate of 1.07645. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.97% on $437 million and floating Canadian BA rate +0.004% on $283 million and floating Canadian BA rate -0.025% on $249 million.
14. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.012980. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.48% on $1,740 million, and floating Canadian BA rate -0.051% on $220 million.
15. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.015028. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.61%.
16. The Province entered into currency exchange agreements that effectively converted these Deutsche Mark obligations to Canadian Dollar obligations at an exchange rate of 0.86581. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.76%.
17. The Province entered into currency exchange agreements that effectively converted these Netherlands Guilder obligations to Canadian Dollar obligations at an exchange rate of 0.77542. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.58%.
18. The Province entered into currency exchange agreements that effectively converted these Australian Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.09189. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.054%.
19. Retractable in whole or in part on February 8, 2007, at the holder's option, provided that the notice of retraction is made during the period from July 15, 2006 to January 15, 2007 inclusive. Such election is irrevocable.
20. Retractable in whole or in part on March 1, 2010, at the holder's option, provided that the notice of retraction is made during the period from March 1, 1995 to February 12, 2010 inclusive. Such election is irrevocable.

21. Exchangeable at any time, in whole or in part, at the holder's option, for an equivalent principal amount of Series JG 9.50% bonds due January 12, 2035.
22. Callable in full, and not in part, on July 27, 2001, at par.
23. The terms of these debentures require that the principal be repaid in 12 equal monthly payments in the year preceding the date of maturity.
24. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals. On January 10, 2035, the principal to be repaid on each debenture will be $2.3 million.
25. Bonds are extendible at the option of the Province on every coupon date starting on July 27, 2001, to the final maturity date of July 27, 2009. Coupon interest is paid semi-annually at a rate of 5.75% in years 1-2, 5.90% in years 3-4, 6.00% in years 5-6, 6.15% in years 7-8, 6.25% in year 9, and 6.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.125%.
26. On September 27, 1999 the Province purchased for cancellation 100 million Netherlands Guilders of the HX Series bonds.
27. The Province entered into currency exchange agreements that effectively converted these Euro obligations to Canadian Dollar obligations at an exchange rate of 1.6890. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.055%.
28. The interest rate was set at 4.75% for the first year. The interest payable is 5.00% in the second year, 5.50% in the third year, 6.00% in the fourth year and 6.25% in the final year.
29. The 1995 series of Ontario Savings Bonds matured on March 1, 2000, and the 1997 fixed series bonds matured on June 21, 2000. The outstanding amounts at March 31, 2001 represent bonds not yet presented for redemption.
30. In every year for the period 1997-2000, the Province issued fixed rate OSBs each with terms of three years. Interest rates were set for the term of the bonds. The rate on the 1997 and 1998 Series bonds was set at 5.25%. The rate on the 1999 Series bonds was 5.50% and the rate on 2000 Series bonds was 6.50%.
31. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating rate Canadian BA -0.085%. The Province has the right to call the issue after 2.5 years (Jan. 14, 2002).
32. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 66 million at a rate of 3.9%.
33. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 27.2 million at a rate of 6.0%.
34. The bonds are extendible at the option of the bondholder on or before November 10, 2004. Coupon interest is paid at 6.40% for the first five years. If extended to final maturity date of December 2, 2014, the coupon will step up to 6.80%.
35. Interest payable is six-month U.S. LIBOR +0.0475%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.65%.
36. Interest payable is three-month Athimid LIBOR -0.75%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.135%.
37. During the 1999-2000 fiscal year, Series MK bonds were reopened bringing the total issue to $250 million.
38. The original debentures payable to OMERS were replaced effective December 31, 1995, with debentures payable to OMERS and to Colleges of Applied Arts and Technology Pension Plan, in the amounts of $741.6 million and $90.9 million, respectively. The terms and conditions remain the same as those of the original debentures.
39. Agricorp, a Government Organization, holds $15 million in Series LE, $10 million in Series JV and $6.2 million in Series KE. On consolidation under PSAB these amounts reduce the outstanding balance of each issue.
40. No interest is payable in the first five years, thereafter interest is payable monthly at an annual interest rate of 17.25%.
41. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals with the final payment on January 10, 2045. The total principal and interest to be paid over the life of the debenture is $1,325 million in total.
42. The terms of these debentures require no interest payments until maturity, at which time a single payment, comprising both principal and interest, will be made in the amount of $700 million.
43. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.34374. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.09%.
44. Bond is callable on May 13, 2003 at the option of the Province. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.05%.
45. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.02%.

46. The Province has the right to call the note after two years (June 3, 2001). Interest is payable at floating Canadian BA rate +0.85% paid quarterly for the first two years, then 5.75% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.07%.
47. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars based on a notional principal of AUD 103.2 million at a rate of 3.2% payable annually.
48. The interest rate was set at 5.75% for the first year. The minimum interest payable is 6.25% in the second year, 6.50% in the third year, 6.75% in the fourth year and 7.00% in the final year.
49. Bonds are extendible at the option of the Province on every coupon date starting on September 22, 2001, to the final maturity date of September 22, 2011. Coupon interest is paid semi-annually at a rate of 6.10% in years 1-4, 6.15% in years 5-6, 6.20% in years 7-8, 6.30% in year 9, 6.40% in year 10, and 6.75% in year 11, and 7.125% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.11%.
50. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.61%.
51. This issue has been on-lent to OEFC until June 2, 2010, after which the issue will be assumed by the Province until the maturity date.
52. During the 2000-2001 fiscal year, Series HC-MG bonds were reopened twice, bringing the total issue to $2,500 million.
53. The Province entered into currency exchange agreements that effectively converted these French Franc obligations to Canadian Dollar obligations at an exchange rate of 0.28491. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.34% on $1,509 million and floating Canadian BA rate +0.057% on $200 million.
54. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 52.5 million at a rate of 3.10%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.051%.
55. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in U.S. Dollars, based on a notional principal of USD 120.8 million at a rate of 3.25%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.051%.
56. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 6.00%. Effective December 21, 2000, the interest rate was set at 5.75%.
57. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 121.1 million at a rate of 4.28%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.38%.
58. The Province has the right to call the note after two years (October 19, 2001). Interest is payable at floating Canadian BA +0.84% paid quarterly for the first two years, then 6.29% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.08%.
59. The Province entered into currency exchange agreements that effectively converted these Greek Drachma obligations to Canadian Dollar obligations at an exchange rate of 0.004903. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.135%.
60. The Province has the right to call the note after two years (December 19, 2001). Interest is payable at floating Canadian BA +0.82% paid quarterly for the first two years, then 5.75% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA -0.07% until the call date, then to floating Canadian BA -0.05% for the remaining seven years.
61. The Province entered into currency exchange agreements that effectively converted these Norwegian Kroner obligations to Canadian Dollar obligations at an exchange rate of 0.21235. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.028%.
62. Current outstanding OSBs are redeemable at the option of the holder on June 21 and December 21 with the exception of fixed rate bonds which are redeemable at maturity only. All current outstanding OSBs may be redeemed upon the death of the beneficial owner. 1999 and 2000 series may also be redeemed during the 14 calendar days immediately following June 21 and December 21. The Minister of Finance may reset the interest rate from time to time prior to maturity.
63. The interest rate was set at 4.50% for the first year. The interest payable is 5.75% in the second year, 6.25% in the third year, 7.25% in the fourth year, and 9.00% in the final year.
64. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 4.75%. Effective December 21, 2000 the interest rate was set at 5.75%.

65. Pursuant to the *Ontario Public Service Employees' Pension Act 1994*, and the Asset Transfer Agreement of December 12, 1994, the Province is obligated to re-split the debentures between the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Plan Trust Fund (OPSEUPF) based on accurate data when it is available. On June 13, 1997 a Restated Sponsorship Amendment and Asset Transfer Agreement was signed, replacing the 1994 agreement. Pursuant to this Agreement on September 17, 1997, the re-split of the debentures was completed. To effect this redistribution of assets, $3,745.8 million of debentures held by PSPF and $1,751.4 million of debentures held by OPSEUPF were retired and replaced by $3,726.8 million and $1,770.4 million of debentures to be held by PSPF and OPSEUPF respectively.
66. The interest rate was set at 3.00% for the first year. The interest payable is 5.25% in the second year, 6.00% in the third year, 6.50% in the fourth year, 7.00% in the fifth year, 7.50% in the sixth year and 8.00% in the final year.
67. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 3.25%. Effective December 21, 2000 the interest rate was set at 5.75%.
68. Callable by the Province, in whole but not in part, at par on June 27, 2001.
69. The Province entered into currency exchange agreements that effectively converted these New Zealand Dollar obligations to Canadian Dollar obligations at an exchange rate of 0.82770. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA+0.075%.
70. During the 2000-01 fiscal year, Series MG bonds were reopened, bringing the total issue to $200 million.
71. Notes are extendible at the option of the Province on September 4, 2000, 2003 and 2006 to the final maturity date of September 4, 2009. Coupon interest is paid semi-annually at a rate of 6.00% in years 1-3, 6.125% in years 4-6, 6.35% in years 7-9 and 7.625% in years 10-12. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate -0.22%.
72. Bonds are extendible at the option of the Province on every coupon date starting on October 10, 1999 to October 10, 2009, except in year five. Coupon interest is paid semi-annually at a rate of 5.875% in years 1-2, 6% in years 3-4, 6.25% in years 5-6, 6.375% in years 7-8, 6.5% in years 9-10, and 7% in years 11-12. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate -0.22%. On March 13, 2001 the Province of Ontario exercised its rights not to extend the maturity date of the bonds and gave notice to the registered holders that the bonds will mature on April 10, 2001.
73. Interest payable is three-month Canadian BA -0.05%.
74. On October 5, 1999, the Province purchased for cancellation $43.934 million of the KN Series bonds.
75. On September 28, 1999, the Province purchased for cancellation $10.68 million of the KT Series bonds.
76. On October 5, 1999, the Province purchased for cancellation $27.34 million of the KQ Series bonds.
77. During the 2000-2001 fiscal year, Series KJ bonds were reopened twice, bringing the total issue to $4,170 million.
78. Proceeds were received in Japanese Yen. Redemption of principal is in U.S. Dollars at an exchange rate of 105 Yen/US Dollar. Interest is payable in Japanese Yen based on a notional principal of JPY 30,000 million at a rate of 3.25%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.19%.
79. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in U.S. Dollars based on a notional principal of USD 86.3 million, at a rate of 3.58% payable annually. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.36%.
80. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in U.S. Dollars semi-annually based on notional principal of USD 57.1 million, at a rate of 2.6%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.60%.
81. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 5.00%. Effective December 21, 2000 the interest rate was set at 5.75%.
82. Extendible at the Province's option on March 2, 2000 and every six months thereafter with the exception of September 2, 2002 and March 2, 2003. Final maturity date is set at March 2, 2010. Interest accrues at 6.15% semi-annually and is paid on the maturity date. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate -0.17%.
83. Total Debt Issued for Provincial Purposes on a consolidated basis includes the long-term debt of the Toronto Area Transit Authority (GO Transit) for $447 million and the Ontario Housing Corporation for $2,252 million.
84. The Treasury Bill balance does not include the following Treasury Bill holdings: $234 million held by the Northern Ontario Heritage Fund Corporation, $106 million held by Ontario Trillium Foundation and $21 million held by Ontario Securities Commission, as these will be eliminated upon consolidation.
85. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.2598. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.19%.

86. Between August 1, 2001 and August 28, 2001, these bonds can be exchanged for 6.30% bonds maturing September 4, 2020.
87. Bond is callable on April 1, 2003 at the Province of Ontario's option. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate -0.08%.
88. This bond can be extended every six months commencing on November 13, 2001 up until November 13, 2009, excluding May 2002 to May 2003. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate -0.07%.
89. Callable between August 1, 2001 and August 28, 2001 for repayment at par on September 4, 2008.
90. The terms of these debentures require that a special one-time interest payment of $31.1 million be made at maturity.
91. U.S. Commercial Paper issues are non-interest bearing with maturities up to 92 days.
92. The interest rate was set at 4.75% for the first year. The interest payable is 5.00% in the second year, 5.50% in the third year, 5.75% in the fourth year and 6.00% in the final year.
93. On September 22, 1999, the Province purchased for cancellation $37.5 million of the JY Series bonds.
94. During the 2000-01 fiscal year, Series NE bonds were reopened three times, bringing the total issue to $263.7 million.
95. During the 2000-01 fiscal year, Series LK bonds were reopened four times, bringing the total issue to $4,677 million.
96. During the 2000-01 fiscal year, Series LZ bonds were reopened once, bringing the total issue to $1,550 million.
97. During the 2000-01 fiscal year, Series HC-LZ bonds were reopened twice, bringing the total issue to $650 million.
98. The terms of these debentures require unequal payments, consisting of principal and interest, to be paid quarterly until their maturity.
99. Retractable in whole or in part on March 15, 2005, at the holder's option provided that irrevocable notice of retraction is made on March 1, 2005. Coupon interest is paid at 5.50% for the first four years and 6.80% for the remaining six years on outstanding bonds.
100. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.55. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.51%.

PAPER E

SuperBuild: Building Ontario's Future

A. Infrastructure and the 21st-Century Economy

Infrastructure Is Key to Economic Growth and Quality of Life

As we begin the 21st century, Ontario has one of the highest standards of living in the world. To keep our high standard of living, we must be prepared to meet the competitive challenges of the 21st-century global economy.

Our prosperity depends on good economic management. And good economic management includes making sure that we have the right kind of infrastructure in the right places at the right time, and at an affordable cost.

The purpose of this paper is to provide some insight into SuperBuild's approach to infrastructure investment. Section A explains why we need to plan now for future investments in infrastructure. Section B describes how SuperBuild will contribute to better capital planning, financing and management throughout the public sector. Section C provides an overview of SuperBuild's key initiatives and policy priorities.

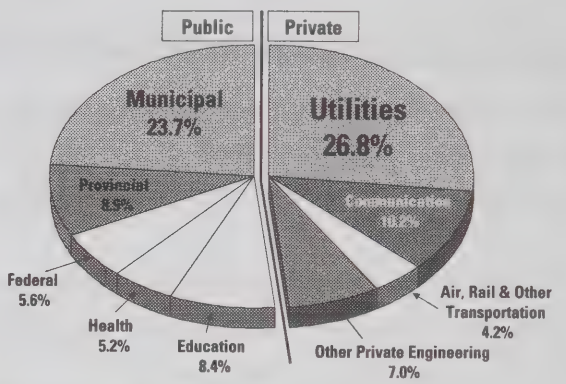
Infrastructure is fundamental to our quality of life. Infrastructure is not an end in itself; it is a means to provide people and businesses with the services they need. It consists of the roads that enable us to travel; the pipes and wires that bring us water, electricity, gas, telephone and cable TV services; the schools, hospitals and other buildings that provide education, health and government services; and all of the equipment associated with these services. From hospitals to highways to hockey rinks, the people of Ontario use infrastructure every day.

These networks, buildings and equipment are capital assets, meaning they generate services over a relatively long period of time. Infrastructure is provided by governments, utilities or non-profit organizations (such as hospitals) as an essential part of delivering their services. Ontario has about $210 billion worth of infrastructure. This is the depreciated value of the assets (taking age and wear and tear into account), not what it would cost to replace them.

Close to half of the province's infrastructure assets are owned by private companies, primarily utilities regulated by the federal or provincial governments. The public sector owns 52 per cent of Ontario's infrastructure, and almost half of this is owned by municipalities.

The Province directly owns about 17 per cent of public infrastructure (8.9 per cent of all infrastructure), but it has provided significant funding to help build the capital assets in the health, education and municipal sectors.

Ontario's Infrastructure Providers, 1999



Note: Municipal includes local government, public transit, and water and sewage systems.
Sources: Statistics Canada and Ontario Ministry of Finance.

Infrastructure contributes to our standard of living through its impact on productivity and by enabling the provision of services that improve our quality of life. Investment in infrastructure can raise productivity by increasing returns to private capital and by enabling the private sector to adopt new methods of organization. Similarly, in the public sector, investment in infrastructure can raise the quality and efficiency of health, education and other public services.

Total capital investment consists of all of the investments in buildings, networks (such as roads and fibre-optic cable), and machinery and equipment by companies, governments and other organizations. In Ontario, investment in infrastructure by both the private and public sectors makes up a significant share of total capital investment—averaging 40 per cent through the 1990s. The public-sector share alone averaged over 20 per cent.

The Ontario economy of tomorrow will require significant infrastructure investment:

- to accommodate new economic and population growth;
- to keep our existing infrastructure in good condition;
- to remedy infrastructure deficits that may have arisen as a result of past underinvestment; and
- to improve the efficiency and quality of public services, as technology and methods of delivering services change.

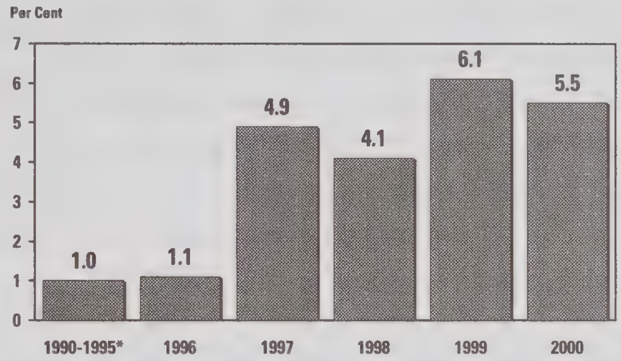
The Infrastructure Investment Challenge

Like many other North American jurisdictions, Ontario faces a significant infrastructure investment challenge over the next 30 years. In Ontario's case, a large part of our need for

investment is attributable to growth. Some of it is a result of changes such as new technology or an aging population. And some of it is because infrastructure needs to be replaced when it reaches the end of its useful life.

Ontario's Rapid Economic Growth

Ontario Real GDP Growth



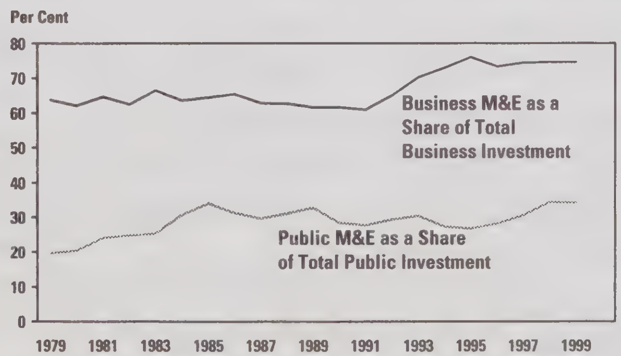
* = annual average.
Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario has had extraordinary economic growth in the past four years, averaging more than five per cent annually. Real GDP is now 23.5 per cent higher than it was in 1995. This growth brings with it a need for more infrastructure investment, especially to relieve the congestion and gridlock in rapidly growing urban centres. Highways, bridges and other infrastructure need to grow with the economy to meet the increased demands placed upon them, and rehabilitation investment is required to keep them in good condition as their use intensifies.

Rising Technological Intensity

New technology is changing infrastructure, and infrastructure needs, just as it is changing the rest of the economy. There are at least three aspects to this change.

Machinery & Equipment Share of Investment in Public and Private Sectors



Source: Statistics Canada.

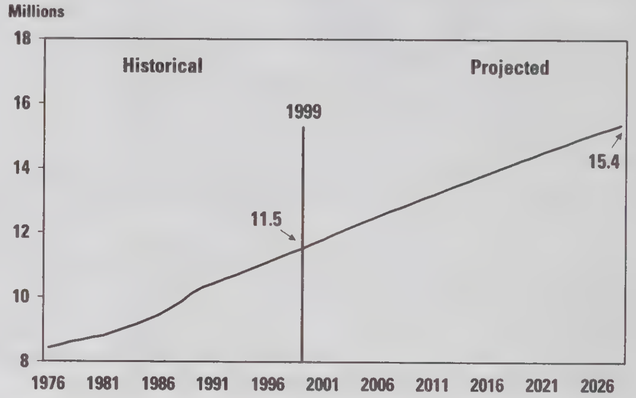
First, it is changing the delivery of government services. ServiceOntario kiosks, traffic-monitoring cameras and computers in the classroom are a few examples.

Second, the composition of public capital investment is shifting towards new technologies—as opposed to "bricks and mortar" investments. The private sector is making this shift more quickly, as it seizes the opportunities new technologies present to deliver new and better services, and to do so more efficiently.

Third, technology assets typically have a shorter life than other capital assets. As a result, they have to be replaced more often, the average age of the capital stock falls, and more investment is required to keep our infrastructure in good condition.

Ontario's Population Growth to Remain High

Ontario Population, 1976–2028



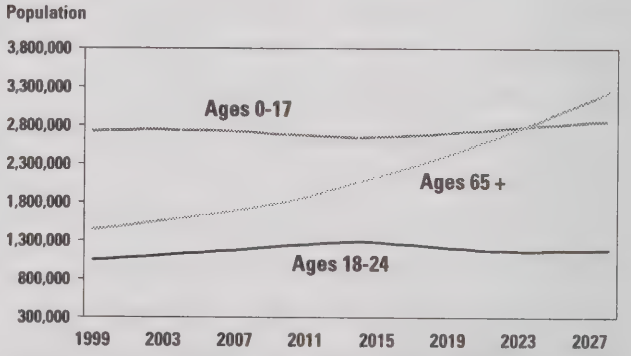
Source: Statistics Canada, 1976-1999 and Ontario Ministry of Finance projections.

In the next few decades, Ontario's population will grow more rapidly than any other province, except British Columbia. Ontario will also grow faster than any G-7 country.

In the last three decades, the province's population has risen from 7.8 million in 1971 to 11.5 million in 1999. By 2028, the population will have grown by another 3.8 million people—a 33 per cent increase. Since there will be about as much population growth over this period as there was in the past three decades, a comparable level of infrastructure investment will be needed.

Aging Population Means Increased Pressure on Health Care Services

Population Growth by Selected Age Groups, Ontario, 1999-2028



Sources: Statistics Canada, 1999 and Ontario Ministry of Finance projections.

The future age structure of Ontario's population is already largely determined because of the sheer size of the baby-boom generation.

The number of people aged 65 and over will more than double by 2028. In 2011, the baby boomers will begin to turn 65. By 2028, one in every five people in Ontario will be a senior.

Although seniors currently account for 12.6 per cent of the population, they account for 43 per cent of provincial health care expenditure. Increasing demands on health infrastructure are inevitable as the baby-boom generation ages.

GTA and the Golden Horseshoe: A Growing City Region

City regions are increasingly the key to competitive advantage in the global economy, and their competitiveness depends upon complex and sophisticated infrastructure systems. The Greater Toronto Area (GTA) has become one of the top 10 city regions in North America.

Although every region in Ontario is expected to grow, about 85 per cent of the increase in Ontario's population is expected to occur in the Greater Toronto Area and the Central Ontario region, including Simcoe, Waterloo and Hamilton. Today, the GTA and Central regions account for two-thirds of Ontario's population. By 2028, these regions will be home to over three million additional people and have a combined share of 71 per cent of Ontario's population. The Ottawa and Windsor-Essex areas will also contribute significantly to Ontario's population growth.

City Regions in Canada and the United States

Area Name	Census Population in 2000	Rank	Population Change 1990-2000	Rank
New York—Northern New Jersey—Long Island	21,199,865	1	1,650,216	2
Los Angeles—Riverside—Orange County	16,373,645	2	1,842,116	1
Chicago—Gary—Kenosha	9,157,540	3	917,720	7
Washington—Baltimore	7,608,070	4	881,020	8
San Francisco—Oakland—San Jose	7,039,362	5	786,051	9
Philadelphia—Wilmington—Atlantic City	6,188,463	6	295,526	25
Boston—Worcester—Lawrence	5,819,100	7	363,697	19
Detroit—Ann Arbor—Flint	5,456,428	8	269,257	26
Dallas—Fort Worth	5,221,801	9	1,184,519	3
TORONTO Census Metropolitan Area	**4,751,408**	**10**	**750,993**	**10**
Houston—Galveston—Brazoria	4,669,571	11	938,440	6
Atlanta	4,112,198	12	1,152,248	4
Miami—Fort Lauderdale	3,876,380	13	683,798	12
Seattle—Tacoma—Bremerton	3,554,760	14	584,432	14

Sources: Statistics Canada and U.S. Census Bureau.

Notes: Data for Toronto include revised boundary, final inter-censal estimates and preliminary post-censal estimates.
The U.S. 1990 Census population counts are as published in the 1990 census reports and do not include changes published subsequently due to boundary or other changes.
Toronto population is for the Census Metropolitan Area. U.S. populations are for the appropriate Consolidated Metropolitan Statistical Areas and Metropolitan Statistical Areas.

Government Role Is Changing as Infrastructure Changes

"Around the world, governments are transforming their roles from the exclusive financiers and providers of infrastructure services to the facilitators and regulators of services provided by private firms. Growing experience shows that private sector participation in infrastructure can improve the quality and quantity of infrastructure services, while reducing the burden on constrained public finances."

World Bank, Private Participation in Infrastructure.

Major investments in infrastructure by governments have helped shape the economic history of Ontario, including railways to the west, hydroelectric power from the Sir Adam Beck Station at Niagara Falls, the building of Highway 401, the growth of the university and college system in the 1960s and 1970s and many others.

Ontario must continue to invest in infrastructure to support our expanding economy and to provide services for the province's growing and aging population. But the government's role in the provision of infrastructure is changing.

In the past, governments and government-regulated utilities were primarily responsible for the provision of public infrastructure for sound economic reasons:

- Network systems such as water and sewer pipes are what economists call "natural monopolies," where it is not efficient to have more than one provider competing in the same area (i.e., one pipe serves all the houses on a street).

- There are economies of scale, which means that per-unit costs decline as the size of the system increases.

- Investments tend to be "lumpy"—large investments that take place once in a while, such as a water-treatment plant or a new highway.

- Direct billing of customers for their use of services is sometimes difficult, leading governments to pay for infrastructure from general tax revenues.

While some of these conditions still hold, innovations in technology, industry regulation and capital markets have made it possible to involve the private sector in the provision of infrastructure while still protecting public interests. In the right circumstances, this can result in lower costs for taxpayers and more efficient delivery through:

- the application of beneficiary-pay principles, so that those who use the infrastructure more pay more towards its capital and operating costs (e.g., highway tolling, water and sewer metering);

- "unbundling" of infrastructure, so that parts of an infrastructure system are subject to competition and parts that remain natural monopolies are not;

- transfer of risk to the private sector, so that financial and construction risks are not borne by taxpayers;

- securitization of future revenue streams, which allows private investors to buy and operate large infrastructure assets; and

- separation of regulatory and delivery responsibilities, which enables the government to protect the public interest more effectively than if it were responsible for both regulation and delivery.

To meet the infrastructure investment challenge facing Ontario, more investment is needed. This challenge cannot be met by the Province acting alone. More investment from the private sector and from other public-sector partners will help to ensure that Ontario has better and more infrastructure sooner to meet growing and changing needs. At the same time, the Province recognizes its responsibility to continue to invest in its own right, to help find better ways of delivering and financing infrastructure, and to ensure that the public interest is protected.

B. The Ontario SuperBuild Corporation

SuperBuild's Goals

> Ontario is already on the way to adopting some of the (capital management) best practices—for example, through the new SuperBuild agency, it has created a clearinghouse for proposed capital projects.
>
> —Ontario Financial Review Commission, 2001

The government established the Ontario SuperBuild Corporation in December 1999 as part of the Ministry of Finance. SuperBuild's mandate is to act as a catalyst for the changes needed to ensure that Ontario has first-class infrastructure in the 21st century.

SuperBuild, as the government's central agency for capital, is responsible for strategic management of the government's entire capital infrastructure envelope, including transfers to municipalities, hospitals and educational institutions for capital purposes.

SuperBuild has five main goals:

- to increase the amount invested in infrastructure to accommodate growth, to bring existing assets into good condition and to keep them in good condition;
- to develop strategic policy for key infrastructure sectors;
- to make long-term capital planning, wise asset management and open financial reporting a priority throughout the public sector;
- to develop new and better ways of financing infrastructure, including public-private partnerships and user-pay arrangements; and
- to advise the government on potential privatizations.

While these goals sound straightforward, they require a major commitment on the part of both the province and its partners to change the way we plan, finance and deliver infrastructure.

Ontario Financial Review Commission

The government asked the Ontario Financial Review Commission to report to the Minister of Finance on options for reporting the government's investment in tangible capital assets.

As a result of its review of the financial reporting of capital assets, the Commission recommended that the government begin immediately to develop the information needed to show the cost and depreciation of existing tangible capital assets and evaluate deferred maintenance needs, and move to adopt the Public Sector Accounting Board's standards for reporting tangible capital assets as soon as possible.

As well, in its 2001 report, the Commission recommended that the government follow best practices in its internal budgeting for capital expenditures and the maintenance of capital assets. These best practices include:

- co-ordination of plans through a central agency, meaning that long-term plans are developed at the agency level and submitted to a centralized authority, which sets priorities for consideration at the level of elected officials;
- life-cycle costing estimates at the time of capital budgeting requests for any expensive and long-lived asset;
- estimates of ongoing project costs;
- mechanisms to identify and address maintenance backlogs, such as facility audits;
- alignment of capital budgeting with policy goals and with optimal resource allocation; and
- consideration of private-sector involvement where appropriate.

The Ministry of Finance and SuperBuild intend to implement these recommendations.

Knowing Our Assets

Most people expect that any responsible organization would know what assets it owns, what they are worth and what kind of condition they are in. Unfortunately, this is often not the case in the public sector.

The following table provides an overview of some of Ontario's infrastructure assets. What it does not show is either the book value or the replacement value of these assets. Both of these measures are needed to allow for accurate financial reporting and to make financial provisions for the replacement of large assets with long lives.

Net book value is a measure based on the historical cost of the asset less accumulated depreciation. Depreciation is an annual allowance that reflects the wear and tear on the asset associated with use and age. For example, if an asset has a 40-year expected life, it would depreciate at a rate of 2.5 per cent of the original value per year (assuming straight-line depreciation methodology). After 40 years, it would be fully depreciated and its net book value would be zero (assuming no salvage value). The historic cost/net book value method is widely accepted in the international accounting community for reporting purposes.

However, it is very difficult to develop an accurate set of historical cost accounts for infrastructure because most governments have neither the historical records necessary to identify the original purchase price of many of their assets nor records of improvements to those assets. Sophisticated estimation methods are therefore necessary to implement historic cost accounting for existing capital assets.

Ontario's Capital Assets (Selected Overview)

Sector	Asset	Description
Transportation	Provincial Highways	38,622 lane km
	Bridges/Structures	3,440
Environment	Sewage Treatment Facilities	452 facilities
	Water Treatment Facilities	630 facilities
Education	Elementary Schools	4046
	Secondary Schools	892
	Provincial Schools	9
	Universities	18
	Colleges	25
Health	Hospitals*	213
	Long-Term Care Facilities	503
	Community Health Centres	56
General Government**	Ministry and Agency Office Buildings	7.5 m sq ft
	Institutional Buildings	13.4 m sq ft
	Special-Purpose Buildings	9.1 m sq ft
	Other Buildings	13.1 m sq ft
	Land Banks	55,000 to 60,000 acres

* 159 corporations on 213 sites.

** Includes government-owned buildings managed by the Ontario Realty Corporation. Includes justice facilities. Does not include property owned by the Ministry of Natural Resources, the Ministry of Transportation or the Ministry of the Environment.

Source: Ontario SuperBuild Corporation.

Information on current replacement costs is useful because it indicates the actual investment required to obtain a new, similar asset, and therefore enables more accurate analysis of the current cost of the services provided by the asset.

SuperBuild is beginning the process of collecting information on capital assets in the public sector. This will require significant and sustained effort on the part of both government ministries and the rest of the public sector. It is our intention to establish systems that will track historic cost, replacement value, asset condition and deferred maintenance needs.

For example, at SuperBuild's request, the Ministry of Training, Colleges and Universities has asked colleges and universities to submit an annual capital plan and investment report. The report will, at a minimum:

- report on all capital investment(s) at the institution for the year regardless of funding source;
- clarify how the institution is maintaining and renewing existing infrastructure (for example, through the establishment of an annuity or other funding commitment);
- provide details on planned and continuing projects for creating more student spaces through capital investment and other efficiency improvements; and
- report on the progress and performance of the capital plan during the previous year.

The first capital plan and investment report is due this summer.

Open and Accountable Financial Reporting

The Canadian Institute of Chartered Accountants defines tangible capital assets as "non-financial assets having physical substance that are acquired, constructed or developed, and: (1) are held for use in the production or supply of goods and services; (2) have useful lives extending beyond an accounting period and are intended to be used on a continuing basis; and (3) are not intended for sale in the ordinary course of operations.

The government's current accounting practice is to expense the full cost of tangible capital assets in the year of acquisition or construction.

The impact of this practice is that the cost of an asset is not expensed over its useful life, potentially resulting in underinvestment in capital. Once acquired, assets no longer appear on the government's books, their condition is not reported and deferred maintenance needs are not identified. As a result, it is difficult for the government to determine whether it has the right mix of assets and whether its capital investment strategy will lead to the desired policy outcomes.

Ontario will account for and report on tangible capital assets as part of its financial statements. The Province intends to report on its tangible capital assets on its Statement of Financial Position. The Statement of Operations will include amortization of tangible capital assets instead of expenditures on those assets.

The Province also intends to require that all public-sector organizations, including municipalities, hospitals, universities, colleges and schools, report on their tangible capital assets on a basis consistent with the Province. The Ministry of Finance is currently developing an implementation plan for the introduction of these changes.

The Concept of Economic Capital

Public financial accounts report on capital investment by individual organizations or ministries and do not reflect the total investment being made by all contributors in a given sector. For example, SuperBuild invested almost $40 million at Queen's University to build a new chemistry building and expand teaching space for the School of Business. In addition to the SuperBuild funding, Queen's University contributed $15.6 million and business and other partners contributed $39 million for a total capital investment of $94.6 million. Only $40 million shows up on the Province's financial statements, not the true total investment of $94.6 million.

As part of our commitment to greater accountability and more open reporting of capital, SuperBuild is also providing initial reporting on economic capital investment for 1999-2000. Economic capital is defined as investments in tangible capital assets that constitute public infrastructure, regardless of accounting classification or source of funds.

The advantage of economic capital is that it provides a more accurate picture of all capital investment activity, so that long-term planning can be carried out, life-cycle costs can be taken into account, funding tradeoffs can be made and all sources of funding are counted.

The economic capital concept overcomes the problem of different accounting classifications for different types of capital investments. For example, Provincial funding for both school and long-term care capital is classified as an operating expense, even though it is provided to transfer partners for capital purposes.

The capital investments table provides a preliminary overview of economic capital investment. According to Statistics Canada, total capital investment in public infrastructure was $7.7 billion in 1999-2000 (excluding federal investment). The data are shown by sector to the extent possible. SuperBuild hopes to be able to publish this information by source of funds in the future.

Investment in transportation accounted for more than one-third of total investments. More than $1 billion was invested in health infrastructure, and more than $1.7 billion in education infrastructure.

Capital Investment in Public Infrastructure in Ontario 1999-2000
($ Millions)

Transportation	
Highways [1]	1,032
Municipal Roads [2]	993
Transit [2]	776
Other Provincial Transportation [1]	71
Health [3]	
Hospitals	960
Long-Term Care and other health services	127
Education	
School Boards [4]	1,343
Post-secondary [4]	382
Natural Resources [5]	127
Justice [6]	186
Water [7]	457
Recreation and Culture [2]	392
Social and Family Services [2]	82
Other	752
Total Investment [8]	**7,680**

Notes:

(1) Ministry of Northern Development and Mines, Ministry of Transportation, 407 International Inc. Other transportation includes transfers to municipalities, funding for ferries and Ontario Northland Transportation Corporation, winter and access roads, and Intelligent Transportation Systems.

(2) Financial Information Returns (FIR) data from Ministry of Municipal Affairs and Housing.

(3) Statistics Canada data for 1999.

(4) School Board Financial Statement data (school year 1999-2000), Statistics Canada, and Financial Report of Ontario Universities 1999-2000 (fiscal year ended April 30, 2000).

(5) Public Accounts of Ontario 1999-2000.

(6) Ministry of the Attorney General and Ministry of Correctional Services.

(7) Statistics Canada data for 1999. Does not include sewers.

(8) Statistics Canada data for 1999. Does not include federal government infrastructure.

Source: Ontario SuperBuild Corporation.

New Approaches to Infrastructure Financing

Governments around the world are looking for new ways to finance and deliver public infrastructure more effectively. With the creation of SuperBuild, Ontario signalled its intention to increase its use of public-private partnerships to finance and deliver infrastructure.

Public-private partnerships have several potential benefits when applied in the right circumstances:

- Increased total infrastructure investment because the private-sector investment is in addition to government investment.
- Lower costs due to more efficient construction and management, and the transfer of construction and management risks to the private sector.
- The ability to make large infrastructure investments sooner than would otherwise have been possible.
- The introduction of new technology and service innovations.
- More efficient use of capital assets and a fairer distribution of costs as a result of the application of beneficiary-pay principles.

Britain's Private Finance Initiative

Britain has established a program called the Private Finance Initiative (PFI) to increase the role of the private sector in delivering and financing infrastructure and other public services.

A key principle of PFI is to transform government departments and public-sector agencies from owners and operators of public assets to purchasers of services from the private sector. The private-sector partner undertakes the capital investment. For example, rather than building roads, the government purchases kilometres of maintained highways.

Projects with a combined capital value of over $31 billion Cdn have been signed since May 1997 in such diverse areas as schools, colleges, hospitals, local authorities, information technologies and property management.

Experience has shown that public-private partnerships work best when the cost of services is clearly known and there is a dedicated revenue stream for the private partner to earn an adequate rate of return.

From a government perspective, a genuine transfer of risk to the private sector is required, and it must be possible to protect the public interest through regulation and the terms of the contract. Insofar as possible, the government intends to set appropriate standards and outcomes that must be achieved rather than prescribe particular design solutions. We will be seeking ideas from the private sector and others in achieving this objective. The Province also intends to maintain its commitment to fair, open and competitive bidding processes for capital infrastructure.

SuperBuild is seeking opportunities for public-private partnerships that make sense from a financial and public policy perspective. For example, SuperBuild and the Ministry of the Attorney General have retained advisers to assess the redevelopment needs for courts in various communities, examine courthouse planning and partnership models, and review architectural standards. The Durham consolidated courthouse will be the first to benefit from the partnership approach. The Archives of Ontario is pursuing a public-private partnership for the management and operation of an off-site storage facility. The successful firm will also provide related moving and records-handling services.

In May 1999, Ontario undertook the largest highway privatization in the world with the sale of Highway 407 ETR, the world's only open-access, fully electronic toll highway. The highway was sold for $3.1 billion to a private-sector consortium. This is an example of a privatization opportunity that SuperBuild intends to pursue in the future with other highway projects.

The Ministry of Transportation and the Ontario SuperBuild Corporation will lead an inter-ministry task force to review financing options associated with the expansion of our province's 400-series highways.

SuperBuild Investments

SuperBuild represents a commitment to invest at least $20 billion over five years, consisting of $10 billion of provincial funding and at least $10 billion from private- and public-sector partners.

SuperBuild's capital investment in the last two years totals almost $7 billion, well on the way to the government's commitment of $10 billion over five years.

This year, SuperBuild's investment in the province's infrastructure will be almost $2 billion.

1999-2000 to 2001-02 SuperBuild Capital Investments
($ Millions)

	1999-2000	2000-01	2001-02
Highways and Other Transportation			
Highways	937	1,049	906
Other Transportation	102	62	78
Health and Long-Term Care*	1,342	351	200
Post-Secondary Education	1,028	202	48
Justice**	186	139	162
Environment and Natural Resources	259	91	127
SuperBuild Partnership Initiatives			
Sports, Culture, Tourism Partnerships		1	50
Ontario Small Town and Rural Infrastructure			50
Millennium Partnerships		4	100
Ontario Innovation Trust	500	-	-
Other	478	176	323
Year-End Savings	-	-	(100)
Total Investment	**4,832**	**2,075**	**1,944**

* Health and Long-Term Care does not include ELDCAP investment. This investment is provided by MNDM.

** Justice does not include investment for Young Offender System provided by MCSS.

Source: Ontario Ministry of Finance.

C. SuperBuild's Policy Priorities and Initiatives

1. SuperBuild's Support for Smart Growth

Investments in infrastructure strongly influence the way in which urban growth takes place and the future costs to taxpayers of supporting it. SuperBuild, as the government of Ontario's lead agency for strategic infrastructure investment, has a significant role to play in implementing the government's Smart Growth strategy.

Over the next few months, the Minister of Municipal Affairs and Housing will lead consultations across the province to gather ideas on our made-in-Ontario Smart Growth strategy. The results of these consultations will help to determine SuperBuild's regional investment priorities and to identify the Smart Growth criteria to be applied in evaluating major infrastructure investments.

> What kind of life do we want for ourselves and our children...5, 10 or 15 years from now? Will we live in cities or in the suburbs? Will we take transit or will we drive? Will the roads be tolled? Where will we park? What about the quality of our air? What about the quality of our lives?... I believe that we must consider these tough questions now—before it is too late....
>
> Inefficient growth means higher infrastructure costs. Higher taxes. More pollution... That's what happens when we don't plan for the future...The simple fact is that—without the right vision to foster growth—Ontario's growing and aging population will present major challenges for our towns, cities and infrastructure...
>
> Our made-in-Ontario vision of Smart Growth will foster growth—not stop it. Our plan is based on three main principles. A strong economy. Strong communities. And a healthy environment. Most of all—our vision means a better quality of life for men, women and children in every corner of Ontario.
>
> —Mike Harris, Premier (2001)

In addition, the government is announcing some immediate SuperBuild initiatives to support Smart Growth and help manage the challenges of growth in our most rapidly growing urban areas. These initiatives will invest in strategic infrastructure in Ontario's large urban centres, expand transit to address congestion gridlock, and protect corridors for the next generation of 400-series highways and transit services.

2. Strategic Infrastructure Investments in Municipalities

Public-Private Partnerships for Strategic Infrastructure

The government will invest $250 million from the Millennium Partnerships Initiative in strategic infrastructure projects in eight major urban areas: Ottawa, Waterloo Region, London, Windsor, Niagara Region, Hamilton, Sudbury and Thunder Bay.

Millennium Partnerships will invest in four project categories:

- address gridlock, including transit expansion projects;
- environmental protection, including water and sewer upgrades and environmental remediation projects;
- access to strategic highway corridors and international border crossings; and
- urban revitalization projects, including "public realm" components of downtown and waterfront renewal projects.

One of the main goals of the Millennium Partnerships initiative is to develop new ways of financing and delivering municipal infrastructure. To encourage municipal innovation, public-private partnerships will be given priority for funding. All projects will require a sound business case and a compelling public policy rationale. Projects that support Smart Growth will be given preferential consideration.

Up to $70 million of the $250 million allocation will be used to cost-share infrastructure priorities in the City of Ottawa. These investments could include new and expanded interchanges on Highway 417 to serve "Silicon Valley North" in Kanata. Recognizing the need to relieve gridlock, the government will examine the options and timing for widening the Ottawa section of the Highway 417 corridor from Highway 7 in the west to Anderson Road in the east.

The government will also use this investment to cost-share other projects determined in consultation with the City of Ottawa. These projects could include light rail or transitway expansion to support Smart Growth.

The government will soon announce how the remaining Millennium Partnership funding will be distributed among the other major urban areas. Project selection will be negotiated among the Ontario SuperBuild Corporation, municipalities and their funding partners. Municipalities will be expected to determine their infrastructure investment priorities. The government will determine funding awards based on the advice of SuperBuild.

Ontario invites the federal government to also partner with Ontario municipalities to support these Millennium Partnership projects.

Toronto Waterfront Revitalization

The Ontario Government's $500 million investment in the $1.5 billion Toronto Waterfront Revitalization initiative will result in significant provincial support for environmental remediation, new parks and open space, transportation and other essential infrastructure in Ontario's capital city—all linked to Smart Growth. Ontario's investment is being provided through the SuperBuild Millennium Partnerships initiative. The waterfront plan directly supports the city's bid for the 2008 Olympic and Paralympic Games, as well as providing lasting benefits independent of the Games.

The Province and its federal and city partners have agreed to commit and equally cost-share up to $290.7 million towards four initial waterfront capital priorities:

- $170.0 million to extend Front Street West from Bathurst Street to a new interchange with the Gardiner Expressway near the Canadian National Exhibition grounds;
- $60.7 million to undertake soil remediation and site preparation activities in the Portlands and West Donlands, to make these areas of the waterfront attractive for development;
- $58.0 million to add a second TTC subway platform at Union Station and to expand the pedestrian connections between the subway station and the GO Transit concourse; and
- $2.0 million to begin environmental scoping and assessment to "renaturalize" the Don River Mouth area and implement flood-control solutions.

The three levels of government have also agreed to establish a Toronto Waterfront Revitalization Corporation that will be responsible for implementing the waterfront projects, cutting red tape in the planning approval process, levering private-sector investment and participation and continuing to develop the overall master plan and supporting business cases for the waterfront vision.

SuperBuild OSTAR Initiative

High-quality infrastructure is part of Smart Growth. SuperBuild's Ontario Small Town and Rural development (OSTAR) initiative will provide $600 million over five years for infrastructure and economic development. The infrastructure component of OSTAR will invest in strategic infrastructure critical to the future economic growth and quality of life of small cities, small towns and rural areas.

The priority for Round 1 of OSTAR is public health and safety, including projects to comply with the new Drinking Water Protection Regulation. The government has committed a minimum of $240 million for Round 1.

The province is currently reviewing about 380 proposals. Approximately 55 per cent are projects to enable municipalities to comply with the new Drinking Water Protection Regulation. The remainder are mostly other water and sewer projects or municipal road and bridge projects. Except for projects to come into compliance with the new drinking water regulation, proposals will be evaluated through a competitive, criteria-based process that emphasizes the need for the project, good value for money and the ability to lever investment from partners.

The Province may nominate projects approved through OSTAR for federal funding under the Canada-Ontario Infrastructure Program.

SuperBuild Sports, Culture and Tourism Partnerships Initiative

Sports, culture and tourism facilities are part of the fabric of community life throughout Ontario. SuperBuild's Sports, Culture and Tourism Partnerships (SCTP) initiative will invest $300 million over the next five years to rebuild and enhance sports, cultural, recreational, and tourism facilities throughout the province.

The top priority in Round 1 is public health and safety projects. Municipalities were required to provide assurance that they are in compliance with the new Drinking Water Protection Regulation.

Over 450 project proposals were received for Round 1 of the SCTP initiative. In light of this overwhelming interest, the approval process will be extremely competitive. Proposals were due April 12, 2001, and they are currently under review.

The Province may nominate projects approved through SCTP for federal funding under the Canada-Ontario Infrastructure Program.

3. Addressing the Gridlock

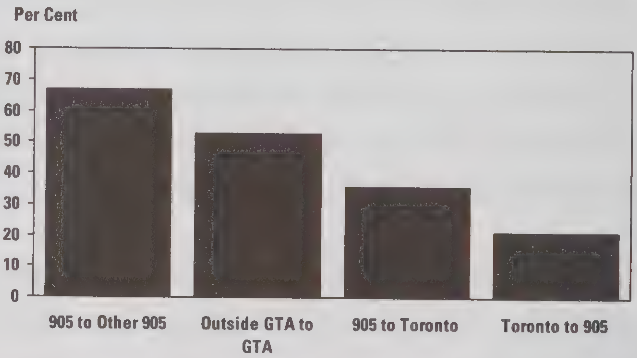
Supporting Transit Expansion

The government recognizes that strategic transit investment is key to addressing congestion gridlock in the GTA and the surrounding Golden Horseshoe region.

Many indicators of congestion reinforce what commuters experience every day. Approximately 80 per cent of the GTA expressway network is currently congested during peak periods, and the peak periods themselves have become much longer. GO Transit rail service is operating at full capacity during peak periods. Union Station, the GTA's transportation hub, has already reached its peak-period capacity limit and is a constraint on future GO Transit rail service expansion. Cross-border commuting among the 905 regions is expected to increase by 67 per cent in the next 20 years.

To help alleviate gridlock, the Province will create a Golden Horseshoe Transit Investment Partnerships (GTIP) Fund by allocating $250 million from the five-year $1.0 billion SuperBuild Millennium Partnerships initiative.

Traffic Growth*, 2001–2021



*Morning peak-hour travel. 905 includes Durham, York, Peel, Halton & Hamilton.
Source: Ontario Ministry of Finance and Ontario Ministry of Transportation.

The GTIP will support the expansion of inter-regional transit infrastructure such as commuter rail, light rail and dedicated transitways. New rolling stock, signals, station infrastructure and advanced fare collection and passenger information systems will be eligible provided they create region-wide network service benefits.

GTIP investments will be awarded on a competitive, business-case basis for projects in the following categories:

- service intensification in existing inter-regional commuter rail corridors;
- new extensions to existing inter-regional commuter rail corridors;
- new inter-regional commuter rail corridors;

- new inter-regional rapid transit corridors using light rail or bus transitway infrastructure;

- new or significantly improved regional transit hubs and gateway stations; and

- advanced transit technologies.

GTIP projects that meet these criteria may be proposed by municipal governments in the GTA and surrounding Golden Horseshoe region, transit service providers and the private sector. Public-private partnerships will be preferred.

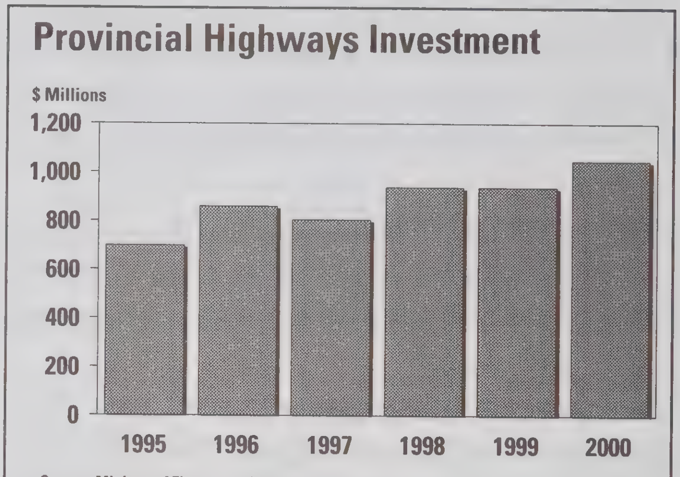
The federal government has indicated that it is considering investing in transit but so far has not made a funding commitment. The U.S. government is investing over $200 billion US in transportation, including urban transit, through its *Transportation Equity Act for the 21st Century*. A comparable commitment by the government of Canada would be over $20 billion. Ontario invites the federal government to take a first step by becoming a highway and transit funding partner. Matching commitments from the federal government and municipalities, along with an expanded role for the private sector, could significantly add to the GTIP investments in new and expanded transit services throughout the Golden Horseshoe region.

A co-ordinated approach to transit planning, service delivery, fares and financing is needed to ensure both a seamless transit system in the GTA and beyond, and that transit becomes increasingly attractive and efficient. While there has been considerable effort over the last two years to improve co-operation among GTA municipalities, it is clear that provincial leadership is necessary.

The government has received a number of submissions that reinforce the need for a new approach to transit planning and co-ordination, including proposals from the Urban Development Institute and the Ontario Chamber of Commerce. A report from the Greater Toronto Services Board is also expected shortly. Taking these proposals and other advice into account, the government will consider options for meeting future inter-regional transit needs in the GTA and the surrounding Golden Horseshoe regions, including the most appropriate governance and financing options.

Strategic Highway Investment

The provincial highway network is a strategic asset that helps Ontario compete successfully in the global economy. With an estimated replacement cost of $27 billion, proper planning and investment is vital to preserve this asset and to promote the safe, efficient movement of people and goods.

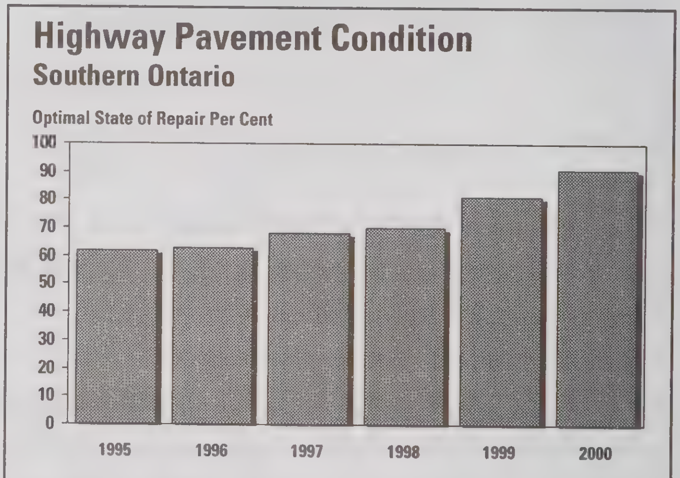


Source: Ministry of Finance and Ministry of Transportation.

To ensure that Ontario remains competitive, the government has invested more than $5 billion in the highway network since 1995. Approximately 90 per cent of the network in southern Ontario is now in good condition, up from 62 per cent in 1995. Highway conditions have also improved in the North.

As part of its support for the Smart Growth strategy, the government is undertaking a series of major transportation corridor assessment studies to help prepare Ontario's transportation network for the future:

- extending Highway 427;
- extending Highway 407 East;
- extending Highway 404 and establishing a Bradford bypass;
- providing additional capacity at the Windsor-Detroit border crossing;
- a new east-west corridor in the GTA;
- a new mid-peninsula Niagara corridor; and
- a proposed Ottawa ring road.



Source: Ministry of Transportation.

These new transportation corridors are critical elements in ensuring that economic growth in the GTA and the surrounding Golden Horseshoe region continues and that major environmental and agricultural features can be protected. As part of the planning exercise, the government will examine public-private partnerships as a way to finance, build and operate highway infrastructure, including tolling options.

For example, if the needs assessment currently underway confirms the need for a new highway link in Niagara, the government will proceed with environmental assessment work for a new Mid-Peninsula Niagara Expressway corridor between Hamilton and the Niagara International Gateway. The new corridor would parallel the QEW along an east-west alignment south of the Niagara Escarpment. This corridor would be designed to make the land above the Escarpment a choice location for future urbanization and development in the City of Hamilton and Niagara Region.

4. Enhancing Municipal Capability

Brownfields Redevelopment Strategy

As part of its made-in-Ontario Smart Growth strategy, the government will take steps to encourage the redevelopment of brownfield sites across the province. Brownfields are sites on which industrial or commercial activity took place in the past, but are currently abandoned or underused. These properties may or may not be contaminated. They are often located in prime locations where infrastructure and other urban services already exist.

Brownfields redevelopment can revitalize older urban areas. Many waterfront municipalities in Ontario are looking for ways to replicate Cobourg's harbour redevelopment in which four adjacent, heavily contaminated brownfield properties were redeveloped. An investment of $2 million for remediation and $3 million for municipal improvements resulted in $162 million of construction projects, a new marina, and a new clean public waterfront that draws thousands of tourists annually. Unfortunately, millions of dollars in annual property tax revenue is still being lost to municipalities through abandoned and underused properties. For example, the City of Toronto's Treasurer has estimated that the city is losing at least $50 million in annual property tax revenue from vacant and underused properties.

The Minister of Municipal Affairs and Housing will be introducing new legislation that would remove the most important impediments to brownfields redevelopment. The legislation would address environmental liability issues and the environmental requirements associated with cleanup.

Brownfields redevelopments in major urban centres will also be eligible under the strategic infrastructure component of SuperBuild's Millennium Partnerships initiative.

Urban Economic Development Tools

Large urban areas or city regions, as dynamic centres of innovation, production and consumption, are increasingly becoming a primary focus of the global economy. Ontario's urban centres compete with metropolitan economies across the United States to attract investment, innovation, people and jobs.

The government commissioned a study to evaluate the economic development tools that could be made available to municipalities to help them compete more effectively with American jurisdictions. The study evaluated economic development best practices in U.S. and European jurisdictions and their potential application to Ontario. It identified several tools that could promote investment in complex urban infrastructure projects, including urban redevelopment corporations, new powers to allow municipalities to be full partners in public-private partnerships and tax incentives for private investment in infrastructure.

The study will be released as part of the Minister of Municipal Affairs and Housing's consultations on the made-in-Ontario Smart Growth strategy. Many of the urban economic development tools identified in the study would require legislative or regulatory changes, and their implications for Ontario will have to be evaluated carefully.

5. Long-Term Water and Sewer Investment and Financing Strategy

On August 10, 2000, as part of Operation Clean Water, the Province announced that the advisory board of the Ontario SuperBuild Corporation would guide the development of a long-term water and sewer infrastructure investment and financing strategy. As part of the strategy, the board will be evaluating the options and implications of moving towards full cost recovery for water and sewer services.

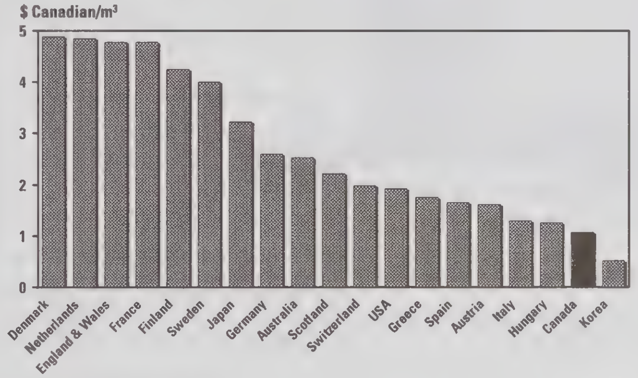
Investment Needs

Ontario's water and sewer sector is facing large infrastructure investment and renewal requirements. Various needs estimates have been developed with varying degrees of credibility. More research and analysis is required to obtain a better understanding of the current condition of Ontario's water and sewer infrastructure. However, it is safe to say that several billion dollars worth of investment in above- and below-ground infrastructure will be required to meet future needs. Under current water pricing, it is clear that the system is not financially sustainable and will not be able address future investment needs.

Price of Water in Ontario Versus Other Jurisdictions

The people of Ontario pay relatively less for their drinking water than people who live in other OECD countries. Lack of metering is one of the reasons for Ontario's underpricing of water. Meters would enable service providers to appropriately charge users for the water and sewer services they consume.

Household Water Prices in Selected OECD Countries



Source: OECD Working Paper, 1999.

Few, if any, municipalities recover all capital and operating costs for water and sewer services through user charges. The costs of underground pipes are often subject to the "out of sight, out of mind" adage. Some communities have already taken steps to address this issue. For example, the City of Hamilton has developed a long-term investment plan and is adopting water prices that will provide sustainable funding for water and wastewater infrastructure. This is a step in the right direction and a model for other municipalities to consider.

Role of Ontario SuperBuild Corporation Advisory Board and Consulting Studies

The SuperBuild board of advisors has been asked to:

- recommend the best option(s) for the investment and financing of water and sewer infrastructure in Ontario's circumstances;
- identify options for moving to the new ways(s) of investing and financing water and sewer infrastructure; and
- advise on the merits and feasibility of restructuring the water and sewer infrastructure business in Ontario to improve service delivery and reliability, and to identify options the Province could consider for beginning the restructuring process.

In January 2001, the Ontario SuperBuild Corporation released terms of reference for eight studies on the water and sewer sector. The studies cover a wide range of topics, including an inventory of assets in Ontario, financing, pricing and asset-management practices in the province, and best practices in other jurisdictions. Information from the studies will make an important contribution to the province's long-term investment and financing strategy for water and sewer infrastructure. The studies will be shared with the Walkerton Inquiry and made public.

The government's goal is to find the best way to deliver water and sewer services in the future. Ontarians deserve nothing less.

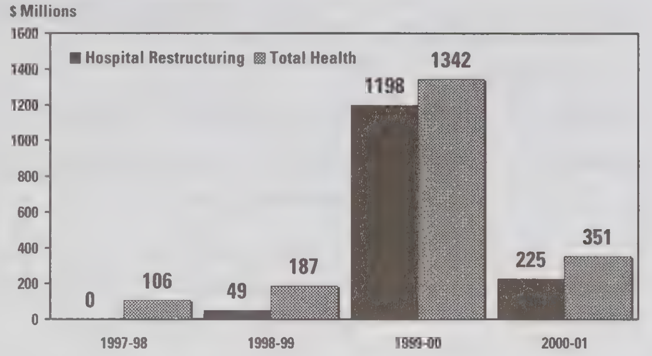
Consultant Studies

Study	Purpose
Asset Inventory	Collect information on Ontario's water and sewer infrastructure assets and compile it into a comprehensive database. This will help assess Ontario's existing and future water and sewer infrastructure investment needs.
Economics	Provide a description, analysis and synthesis of the economic principles applicable to water and sewer infrastructure.
Financing	Describe and evaluate current financing, asset management and accounting practices with respect to water and sewer infrastructure in Ontario.
Pricing	Provide a comprehensive database of water and wastewater pricing in Ontario and describe and analyse current pricing practices in Ontario.
Organization	Describe and analyse how water and wastewater systems are organized in the province and identify emerging organizational models.
Best Practices	Identify a range of best practices in other jurisdictions with respect to water and sewer infrastructure and assess their applicability to Ontario.
Business Model Analysis	Describe the organization of regulated utility industries and determine their applicability to water and sewer infrastructure in Ontario.
Industry	Identify and describe national and international private-sector water and wastewater investors and suppliers and analyse their market strategies.

6. Health Care Renewal

Provincial Investment in Health Infrastructure

Health Capital and Hospital Restructuring Capital Funding



Note: Does not include $718 million in HSRC renovation expenditure.
Sources: Ontario Ministry of Finance and Ontario Ministry of Health and Long-Term Care.

In 1996, the government appointed the Health Services Restructuring Commission (HSRC). Over the 1996 to 2000 period, the HSRC provided directions for change to hospitals in 22 communities across the province and advised the Province on other changes needed to improve the accessibility, quality and cost-effectiveness of the health care system. The purpose of hospital restructuring is to ensure that the size and location of hospitals is efficient, and to support the shift to community-based health care resulting from current and emerging clinical practices.

To date, the government has invested $2.2 billion to modernize and upgrade hospitals in 22 communities across the province, including $1.1 billion in SuperBuild investments to help accelerate restructuring. Together with our partners, this commitment will provide over $3 billion in new hospital construction and renovation. Over the next few years, this investment will continue to expand hospital emergency rooms, build new cancer and cardiac care centres, and help provide a better mix of acute care, mental health and rehabilitation beds for the communities served by these hospitals.

The government is also implementing other reforms to modernize the health care system. Currently, 20,000 long-term care beds are being added to our health care system, and 16,000 existing long-term care beds are being upgraded. In addition, community-based care is expanding and Telehealth is being implemented across the province.

Developing a Long-Term Strategy for Health Infrastructure

Despite these sizable investments, challenges remain. A variety of factors are influencing the need for investment in health infrastructure, including changing demographics, changing technology and changing clinical practices (see table).

Drivers Changing the Health Care System

Pressures	Impact	Challenges / Opportunities
Growing and aging population	Increasing demand on health services/shifting services as our population ages	Meeting the rising demand for health care services Partnership approaches for financing health care infrastructure and services
New medical technologies	Adapting clinical practice to take advantage of new technology	Funding new technology at appropriate levels, changing clinical practice and infrastructure Private-sector financing and provision of technology and related services
New drugs	Treating illnesses more effectively, with less intervention	Funding new drugs at appropriate levels, changing clinical practice and infrastructure
New information technologies	Allowing doctors to co-ordinate better care for their patients, using the latest treatments and services	Expensive and difficult to implement, must ensure the privacy of patient and other information Private-sector financing and provision of technology and related services
Changing clinical practices	More frequent use of a broader range of health care practitioners and treatment options.	More co-ordination required between health care partners with various roles better defined
Informed consumer (through Internet, etc.)	Patients more aware of treatment options	Patients demanding the latest most effective treatments

Over the next year SuperBuild will work with the Ministry of Health and Long-Term Care and other health care partners to develop a long-term health infrastructure strategy that will include:

- evaluating long-term needs for health care infrastructure;
- analysing the relationship between capital investment and the quality of health services;
- evaluating public-private partnership options where appropriate, subject to the provisions of the *Canada Health Act*;

- investigating alternative methods of financing health care infrastructure and technology; and

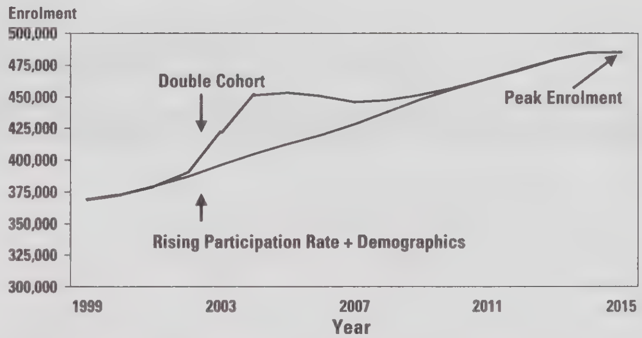
- finding better ways to invest in new technologies.

7. Post-Secondary Education Enrolment Growth

About 380,000 students are currently enrolled in Ontario's post-secondary system. Enrolments at colleges and universities are projected to increase due to growth in the 18-24 age group, rising participation rates and secondary school reform. The Ministry of Training, Colleges and Universities estimates that 78,000 additional students will be enrolled at colleges and universities by 2005-06, an increase of 21 per cent from today's level. While the effects of secondary school reform will subside, enrolment is expected to continue to rise due to demographic factors.

In 1997, the Province announced a new four-year high school program. In 2003, the first set of graduates of the new four-year program will leave high school at the same time as the last set of graduates of the old five-year program. This "double cohort" of Ontario high school graduates will cause a steep rise in full-time enrolment between the years 2003 and 2005.

Projected Post-Secondary Full Time Enrolment



Sources: Ontario Ministry of Finance population projections and Ministry of Training, Colleges and Universities full-time headcounts. Assumes a 0.2 percentage point rise in participation annually.

Once-in-a-Generation SuperBuild Investment in Post-Secondary Education

In order to accommodate the expected increase in enrolments, the Province invested over $1 billion through SuperBuild in post-secondary education capital in 1999-2000. Combined with partner contributions, this investment will result in a total investment of $1.8 billion and the creation of more than 73,000 new student spaces at colleges and universities. This is the largest capital investment in Ontario's post-secondary system in more than 30 years.

Colleges and universities have agreed to create additional student spaces through better use of existing facilities. To help them achieve this objective, the Province invested over $140 million in 2000-01 for the renovation and renewal of existing post-secondary facilities.

This funding will support the investments institutions are making to upgrade existing buildings to accommodate more students.

Following the advice of the Ontario Jobs and Investment Board to strengthen the link between theoretical and applied post-secondary education, the government provided support for nine joint college-university partnership projects in 1999-2000.

Building on this investment, the Province has provided $60 million as an essential first step in the establishment of a new Ontario Institute of Technology that would provide university and college level programs and link post-secondary education and skills training with the needs of the marketplace. Building on the excellent track record of Durham College, this new institution will address the skill requirements needs in the eastern GTA.

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Accountability: Progress through Performance

Overview

Accountability is a relationship based on the obligation to demonstrate and take responsibility for performance in light of agreed-upon expectations.

Accountability is woven throughout the fabric of public service. The strands of accountability—the way in which organizations and the workers within them must answer to those who pay for and use their services—determine the strength of our public services. When a single strand fails, our faith in the entire structure is put at risk.

This Budget, and every Ontario Budget that has come before it, has had the responsibility of showing the taxpayers and citizens of Ontario what their government will be held accountable for.

Each year, the Budget outlines the resources—the hard-earned taxpayers' dollars—that are entrusted to the government and the services that will be produced with these resources.

Taxpayers, citizens and users of government services expect, in fact demand, that the government deliver quality services in the most efficient and effective manner possible. They expect high-quality services at the lowest possible cost, or stated succinctly, they want and expect to receive value for their money. Not receiving value for money has the direct impact of wasting money that could have been used to improve the quality and quantity of services offered to the public.

Providing a plan is one part of the accountability process. At the end of the year, the government must report on what it accomplished with the resources entrusted to it. It must state whether it met what it set out to do. The release of the Province's Annual Report and audited Financial Statements meets this objective.

Since being elected, this government has taken many important steps to improve both the services that it delivers to the public directly and reporting what it is accountable for (see Improvements in Accountability Practices). The process of improving accountability was started in 1995 with the work of the Ontario Financial Review Commission and continues to this day. But much more can be done to improve accountability to the taxpayer.

Panel on the Role of Government in the 21st Century

The Throne Speech, as part of step 3, announced that "the government will strike a panel to make recommendations on the appropriate role of government in the 21st century: what its business should and shouldn't be; where it belongs and where it does not." This is a crucial step towards greater accountability. We must determine what the government should be held accountable for as we move into the 21st century.

Value-for-Money Review

The government must continue to find ways of offering those services that the people of Ontario depend on and find ways to deliver these services in an efficient and effective manner.

The Ministry of Finance will be undertaking a value-for-money review of government activities and services to ensure that they are delivered in the most cost-effective manner possible. This review will support the government's commitment to apply the principle of zero-based budgeting. The review will rely on private-sector expertise to assure that best practices from other jurisdictions are identified and applied to Ontario's needs.

The review will have several objectives as it assesses government activities:

- Is the government's original policy intent for the activity still valid?
- Is the activity meeting that policy objective?
- Is the activity being delivered in the most cost efficient and effective manner?
- Is the activity a priority of government?
- Does the activity provide wider economic and social benefits to Ontario?

The outcome of the work of this review will be:

- improved services to taxpayers;
- saving taxpayers' money;
- eliminating unnecessary activities;
- eliminating waste; and
- bolstering the economy.

Broader Accountability

While the government has and continues to take steps to improve its own ability to deliver value-for-money services directly to the public, it is dependent on its transfer partners doing the same for the services that are funded with taxpayers' hard-earned dollars.

More than 80 per cent of program and capital spending is in the form of transfer payments, most of which go to our transfer partners in the broader public sector who run our schools, our hospitals, our colleges and universities and other services that are crucial to the well-being of all Ontarians. These organizations, like the government of Ontario, are accountable to the taxpayers of Ontario and to others who fund them for delivering the highest quality of service at the lowest possible price and for reporting back on their performance in light of agreed-upon expectations.

It is for these reasons that the Government of Ontario is announcing today a four-part plan to help public-sector organizations meet their obligation to Ontario taxpayers for the use of their hard-earned dollars.

- It is proposed that all public-sector organizations will be required to meet **minimum requirements** to ensure they are accountable to the public, their staff, their funders and the end-users of their services.

- It is proposed that all significant public-sector organizations will be held accountable for operating in a fiscally prudent manner through the preparation and achievement of an annual **balanced budget**.

- An **Accountability Office** will be set up in the Ministry of Finance to support the continued improvement in accountability practices in the broader public sector and to take action in those circumstances where further improvement is needed.

- A proposed **Public Sector Accountability Act** will enshrine in legislation the requirement for all significant public-sector organizations to publicly report on their plans to use resources entrusted to them and on their performance against this plan.

The new accountability framework for Ontario must start with the recognition that all publicly funded organizations are accountable to the people of Ontario in three ways: they must answer to taxpayers and others who fund the services they provide; to the clients who rely on those services for their personal health, well-being and security; and to the people of Ontario to whom all broader public-sector institutions ultimately belong. In other words, they must provide the best possible service at a cost that the taxpayer is willing to pay, strive always to improve, and respect the public.

Improvements in Accountability Practices

Since coming into office in 1995, the government has implemented a number of improvements in its accountability practices including the:

- Creation of the Ontario Financial Review Commission in 1995 with the mandate to review the Province's accounting, reporting and financial management practices;
- Introduction of ministry business plans that outline their core activities, set performance goals each year and report on results;
- Adoption of Public Sector Accounting Board recommendations in the preparation of the Budget, Quarterly Finances and the Financial Statements of the Province of Ontario;
- Introduction of Management Board Directives on Accountability in 1997 and Transfer Payment Accountability in 1998;
- Introduction in 1998 by the Ministry of Training, Colleges and Universities of key performance indicators to measure and report on key areas, such as graduation and graduate employment rates at all post-secondary institutions, and a requirement that student loan default rates be made public for all OSAP-eligible institutions. As a next step, the government in 2000 began rewarding the performance of colleges and universities in achieving these ministry-stated goals;
- *Taxpayer Protection Act, 1999* and the *Balanced Budget Act, 1999*;
- Announcement by the Ministry of Municipal Affairs and Housing in 2000 of the reporting of municipal performance measures in nine core service areas;
- Reconvening of the Ontario Financial Review Commission in 2000 with the mandate to review options: for improving the financial management, decision-making and reporting practices of the government's key transfer partners; for reporting the government's investment in tangible capital assets; and the government's response to the recommendations made by the previous Commission;
- Creation of a Task Force on Effective Schools in 2001 to make recommendations on how best to organize schools to improve student achievement and learning, as well as ways to hold school boards accountable for school improvement planning;
- Various health care initiatives including:
  - Independently produced report cards will be made available to the people of Ontario and will provide a hospital-by-hospital assessment of performance;
  - A Patient Charter will outline the rights and responsibilities that Ontario citizens have within the health system; and
  - Recognition of efficient hospitals through the application of a performance grant.
- Announcement in the 2001 Throne Speech of the government's intention to amend the *Audit Act* to empower the Provincial Auditor to ensure that institutions funded by Ontario taxpayers use that money prudently, effectively and as intended.

1. Setting Minimum Requirements

All significant public-sector organizations must address minimum accountability requirements. The report of the 2001 Ontario Financial Review Commission, made up of leaders in the financial and business community, was released on April 30 of this year. Their report, entitled *Raising the Bar: Enhanced Accountability to the People of Ontario*, set out what they believe to be the basic building blocks of accountability. These include:

- proper legal status, strong governance, well-articulated mission and vision, and effective management;
- well-defined relationships with all stakeholders, including funders, service users, staff and ministry;
- commitment to proper business planning, performance evaluation and continuous improvement; and
- a culture of openly and actively sharing financial and performance information with all communities that have an interest in the organization.

In the culture of accountability Ontario wants to create, organizations report about how well they will use the resources entrusted to them and how they will work to improve their performance. They are open to answering questions about how they operate, how they are governed and what they are trying to achieve. They are willing to be measured on their performance and they understand that excellent performance will be recognized, just as poor performance must be remedied. Their energy is focused on providing results, not building arguments for more funding without explaining how they use the resources they already have. Meeting the minimum requirements of accountability as outlined by the 2001 Ontario Financial Review Commission's report is the first step in improving public-sector accountability.

2. Operating in a Fiscally Prudent Manner

With the passage of the *Taxpayer Protection Act, 1999* and the *Balanced Budget Act, 1999* the Government of Ontario now guarantees its accountability to taxpayers by requiring that the government balance its budget or cut the salaries of Cabinet members by 25 per cent for each year of deficit spending and 50 per cent for each consecutive deficit. In doing so, the government has enshrined in legislation its obligation to the taxpayers and citizens of Ontario to carry out its operations in a fiscally prudent manner.

The government believes that organizations funded with taxpayers' money should also be held accountable to carry out their operations in a fiscally prudent manner. To ensure this, all significant public-sector organizations would be required to prepare and deliver annual balanced budgets under the proposed Public Sector Accountability Act.

Transfer Partners and Accountability

Ensuring the best use of resources becomes more complex when funds are flowed to transfer partners—that is, public-sector organizations that are outside direct control of the elected government.

Transfer partners play a central role in providing public services. The provincial government sets policy directions, establishes legislation and provides funding for services such as health care, education and social programs. In most cases, however, a third party—a transfer partner—actually delivers the service. Transfer partners include hospitals, other health care facilities, homes for the aged, school boards, colleges, universities, municipalities and social agencies.

These bodies often have deep roots in the communities in which they are located. Their boards usually include local people and, often, people who use their services. Transfer partners are in an excellent position to leverage local knowledge and expertise, prompt innovation and tailored solutions, and access additional sources of funding beyond provincial transfer payments. The provincial government and other funders nonetheless care about the financial and organizational efficiency of transfer partners, and how well they provide service compared to their peers.

As with services delivered directly, government has made considerable strides in trying to ensure the accountability of transfer partners. Examples include:

- Developed a common curriculum for elementary and secondary schools, so that all students work towards the same goals; and

- Created the Education Quality and Accountability Office to improve the quality of education in Ontario by measuring student performance and reporting on results.

While government and transfer partners continue to work towards greater accountability, much remains to be done.

What More Should Be Done?

The government will continue to work with its transfer partners towards:

- improving planning and goal-setting and, where appropriate, developing shared goals;

- giving the public more and better information on performance;

- strengthening the link between goals and results, and taking action when organizations do not meet their goals; and

- working to lower the cost of service while maintaining quality through such measures as benchmarking against other providers; common procurement and public tendering processes; better co-ordination of efforts among service providers; and creation of common service bureaus.

3. The Accountability Office

In response to the need to evaluate how well entire sectors, as well as the bodies within them, are performing, the government will create an Accountability Office in the Ministry of Finance.

This office will draw on the expertise within ministries, as well as individuals with in-depth knowledge of the sector and demonstrated objectivity.

The Accountability Office will:

- evaluate performance throughout a sector, using appropriately designed measures, and report clearly to the public and the relevant minister on findings;
- champion strongest performers and disseminate best practices;
- promote the development of common goals and performance measures;
- promote communication within and among sectors;
- monitor compliance with the proposed Public Sector Accountability Act; and
- implement remedies for underperforming organizations.

The key objective of the Accountability Office will be to support continuous improvement in the accountability practices of the broader public sector.

In those situations where organizations consistently fail to meet their performance targets outlined in their business plan or fail to significantly meet their targets in any one year, the Minister of Finance, in consultation with other Ministers, would be able to request an independent review of the financial management, business planning and operating practices of the organization.

4. The Proposed Public Sector Accountability Act

The 1997 Ontario Budget discussed the idea of a Public Sector Accountability Act to require publicly funded organizations to follow best practices in managing their operations. Since that time, the government has sought the advice of leaders in accountability practices. The 2001 Ontario Financial Review Commission recommended that the government should enshrine accountability in legislation. The government agrees with this advice and will introduce a Public Sector Accountability Act in the current session.

The proposed act would apply to all public-sector organizations that receive substantial government or public funding. Specifically, the proposed act would apply to significant Crown agencies and municipalities, school boards, hospitals, universities and colleges and to very large agencies in the social services sector.

The purpose of the proposed act would be to:

1. Initiate best practices in public-sector organizations by measuring their performance against their established goals and by reporting publicly on the progress made.

2. Improve program effectiveness and public accountability by promoting a stronger focus on the results and service quality of public-sector organizations.

3. Improve service delivery by requiring that public-sector organizations prepare a plan to meet identified objectives and to provide information on results and service quality achieved.

4. Improve decision-making in public-sector organizations by ensuring that relevant information about each organization's objectives and about the effectiveness and efficiency of the organization's activities in meeting those objectives is available to the public.

5. Improve fiscal responsibility by requiring public-sector organizations to prepare and deliver a yearly balanced budget.

The proposed act would provide a broad framework in which public-sector organizations can work towards improved accountability and performance. It would require organizations to:

- prepare and publicly disclose a business plan and monitor performance against this business plan; and
- identify to whom they are accountable, identify who is accountable and for what they are accountable.

A public-sector organization's **business plan** would be required to contain information with respect to the current fiscal year on:

- its governance and management structure;
- a comprehensive mission statement;
- a description of the major activities of the organization;
- the goals and objectives to be achieved for each of the major activities;
- the actions to be taken to achieve those goals and objectives;
- an estimate of how much these services/activities will cost in terms of human, financial, technological and other resources needed to achieve those goals;
- the performance targets and indicators to be used in measuring or assessing the relevant inputs, outputs and outcomes of the major activities of the organization and, to the extent practical, be expressed in an objective and measurable form;
- external factors outside the control of the organization that are likely to affect the achievement of those goals and objectives; and
- a description of actions taken to validate and verify the plan, and the actions taken to review the organization's success in achieving its goals and objectives.

Public-sector organizations would be required to consider the views of people and entities outside the organization who may have an interest in its activities and to have their business plan approved by their governing body.

Private-sector delivery alternatives should be examined to improve service and reduce costs. The results of these reviews should be reported in the organization's annual report.

Each organization would be required to prepare and make public an annual report that contained:

- a business plan for the previous fiscal year and the current fiscal year;
- a description of the extent to which the organization achieved its goals and objectives for the previous fiscal year, as set out in the business plan for that fiscal year;
- if any of the goals and objectives were not achieved, a description of the reasons and of the steps the organization plans to take to achieve them;
- a statement that the organization's books and records are complete and accurate;
- a statement indicating whether the organization's systems and practices can reasonably be relied upon to have ensured the organization protected its assets, spent money only as authorized and managed its resources efficiently and economically; and
- audited financial statements of the organization prepared in accordance with generally accepted accounting principles or as would be prescribed in regulation.

A proposed Accountability Act by itself cannot improve accountability and effectiveness—it can set the framework in which organizations work towards improved accountability and effectiveness. Actions taken by all parties will ultimately lead towards these goals. The proposed Accountability Act's ultimate success will depend on the willingness of all parties to work towards improved accountability and effectiveness and to report publicly on results.

Property Assessment Corporation and Accountability

The Ontario Property Assessment Corporation (OPAC) is not a transfer partner, but because of its legislative relationship with the government, it too should be held accountable to the public and the agencies that it serves. It is essential that OPAC, like other public service providers, strives to deliver efficient and effective programs and high-quality services and is responsive to the needs of its customers.

OPAC was created to deliver property assessment services. Operational responsibility for assessment service delivery was transferred to the municipal sector on December 31, 1998.

As announced on December 12, 2000, the government recently conducted a review of the structure and operations of OPAC to confirm that the needs of Ontario property owners and municipalities are being met. Analysis of this review identified the need to enhance OPAC's accountability and customer service capacity.

To meet these objectives, the government intends to introduce legislation to improve OPAC's accountability to its stakeholders through a series of initiatives, including the following:

- **Quality Service Commissioner**

  To ensure that OPAC is providing consistently high standards of service, the government intends to introduce amendments to the *Ontario Property Assessment Corporation Act, 1997*, which would require the appointment of a Quality Service Commissioner.

  The Commissioner, who would oversee quality service and customer relations, would be required to implement quality service benchmarks similar to those instituted by the provincial government.

- **Board of Directors**

  OPAC is governed by a 14-member Board of Directors, which is composed of 12 municipal representatives and two provincial appointees.

To ensure that the interests of property taxpayers are represented at OPAC, the government intends to introduce amendments to the *Ontario Property Assessment Corporation Act, 1997,* that would change the composition of the Board of Directors. The proposed new board would comprise eight municipal representatives, five taxpayer representatives, and two provincial appointees.

The proposed new board structure would balance the interests of all of OPAC's customers.

- **Renaming OPAC**

  The government proposes to change the name of OPAC to the Municipal Property Assessment Corporation.

Over the coming months, the government will continue to consult on the portion of the review that relates to Ontario Regulation 282/98, which determines how properties are classified for property-tax purposes.

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Growth and Prosperity: Keeping the Promise

The Honourable Janet Ecker
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Growth and Prosperity: Keeping the Promise

Presented to the
Members of the Legislative Assembly of Ontario by
The Honourable Janet Ecker
Minister of Finance
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VALUES AND CHOICES

Mr. Speaker, I am pleased to table today Ontario's fourth consecutive balanced budget. This government is keeping its promise of growth and prosperity for Ontario.

On February 14, 1967, the first Ontario Treasurer to come from Exeter, the Honourable Charles MacNaughton, described the challenge facing all Provincial Treasurers. In preparing a budget, he said, "We tread the slender tightrope between the reasonable expectations of our people for government services—and a constant awareness of the burdens on the taxpayer."

Thirty-five years later, Mr. Speaker, the second Ontario Treasurer to come from Exeter has developed a keen appreciation in the last few weeks for the meaning of those words.

While much has changed in Ontario since 1967, the essential task of preparing a budget remains the same. A keen sense of balance is still required, between meeting today's needs and investing for tomorrow's challenges.

Mr. Speaker, budgets are also about values and choices.

As I learned growing up in Exeter, values come from families and communities—from the people who live those values with quiet strength and perseverance.

Values such as setting personal goals, and working hard to achieve them.

Pursuing education as the key to opportunity.

Respecting the rights of others while accepting our own responsibilities.

Valuing and protecting our natural heritage and environment.

Standing up for what is right.

Answering the call of your community through public service, volunteerism and personal commitment.

And sharing the fruits of your own success with those who need help.

Mr. Speaker, these are the values that built this province, that made it strong.

They are the same values that motivated our government when we promised to return Ontario to prosperity in 1995.

While our predecessors preferred to carve a shrinking pie into ever-smaller pieces, the Common Sense Revolution chose to make the pie bigger. We placed this province on the path to increased growth.

The people of Ontario know that prosperity is a virtuous circle. That a growing economy provides more and better jobs, more disposable income and more revenue to invest in our future—in turn renewing economic growth and creating even more prosperity.

Mr. Speaker, this government has kept its promise.

By cutting taxes to create jobs.

By removing barriers to growth.

By balancing the budget and paying down debt.

By helping people off welfare and into jobs.

By strengthening our universally accessible health care system.

By making significant infrastructure investments for the future.

And, most importantly, by setting higher standards in education to equip Ontario's students with the knowledge and skills they need for success in the global economy.

Mr. Speaker, the evidence is now clear. Because we put the right fundamentals in place, our plan for prosperity is working.

The numbers that chart our progress are impressive.

But the real improvements are in people's everyday lives. The young family buying their first home. The recent graduate getting a great job. Businesses expanding and creating new jobs at home, and finding success in foreign markets. The opportunities that people have today that didn't exist in 1995.

Making progress since 1995

- 893,000 new jobs have been created in the past seven years.
- Approximately 600,000 of our fellow citizens have been helped off social assistance since June 1995.
- Our tax cuts for people will allow taxpayers to keep more of their hard-earned money—a family of four with $60,000 of net income from two earners will save $2,005 in Ontario income tax this year.
- Real take-home pay has increased by 18.5 per cent since we began cutting taxes.
- Tax revenues to pay for programs and services are up by nearly $14 billion.

This was the vision of the Common Sense Revolution—that Ontario could become the best place to live, work and raise a family. We have accomplished much, but there is clearly more to do.

And that's why we are sticking with the fundamentals of our plan. This Budget is about how we intend to do that, based on what the people of Ontario have told us needs to be done.

Mr. Speaker, while the Minister of Finance must take ultimate responsibility for the Budget, it is truly the work of many capable hands.

I want to thank Premier Ernie Eves for his clear vision and leadership. We owe much of today's prosperity to the bold and courageous steps he took to restore confidence and growth in this province, over six years as Minister of Finance.

I am also indebted to my caucus colleagues, especially my immediate predecessor, Minister Jim Flaherty; to the Chair of Management Board, David Tsubouchi; to my Parliamentary Assistants, Marcel Beaubien and Ted Chudleigh; and to the many members of the Legislature who have offered advice and counsel to me over the past few weeks.

As I have learned over the past 64 days, the Ministry of Finance is staffed by highly capable and professional people. They are led most effectively by my Deputy Minister, Bob Christie. He and his hard-working staff have been most helpful to a new Minister and I am deeply grateful for their advice.

I would like to thank my personal staff whose many contributions and long hours of dedication are ably co-ordinated by my Chief of Staff, Scott Andison.

Finally, Mr. Speaker, I want to thank my husband, Derek Nelson, for his patience, understanding and support.

ONTARIO'S FISCAL CHALLENGE

Mr. Speaker, I'd like to deal first with the fiscal challenge we face this year.

Because Ontario's economy is open and trade-oriented, the global economy of 2001 is our starting point.

During the past year, our largest trading partner, the United States, experienced a sharp economic slowdown. U.S. real economic growth slowed from 4.1 per cent in 2000 to 1.2 per cent in 2001.

Key building blocks of our economy—most notably the automobile and telecommunication equipment sectors—were hard hit by the sharp reduction in demand in world markets and by the terrorist attacks in the United States. Exports fell more last year than in the recession year of 1991.

The result was that after four consecutive years of annual real growth exceeding five per cent, Ontario's economy grew by just one per cent in 2001.

In last year's Budget, growth was forecast to slow, and we provided a fiscal plan that responded to this situation.

After September 11, we took further action to restore consumer confidence by accelerating tax cuts. Coupled with prudent management and the use of our \$1 billion reserve, we balanced the budget last year—for the third year in a row.

We were also able to make an additional \$127 million payment on Ontario's accumulated debt. This brings our total debt repayment to \$4.2 billion, almost 85 per cent of the target we set for ourselves to reduce the mortgage that past governments have left our generation.

Mr. Speaker, Ontario's economy is rebounding sharply, but our revenues this year are still reflecting last year's slowdown.

The fall in exports and the competitive pressures that led to lower prices caused corporate profits in Ontario to fall nearly 13 per cent in 2001, with little expectation of an upturn this year.

Lower economic growth last year and continued weak stock markets mean that our largest tax source, the personal income tax, is forecast to decline slightly in 2002-03.

There is another important factor in Ontario's fiscal challenge—some specific federal policies.

First, Ontario and all provinces are being short-changed because the Canada Health and Social Transfer (CHST) has failed to keep up with rapidly rising health care costs, the expansion of post-secondary education and the need to protect the most vulnerable people in our society.

Second, continued federal overtaxing of Ontario workers and employers through excessive Employment Insurance premiums heavily burdens Ontario's growth, and penalizes this province for having a strong economy.

What this means, Mr. Speaker, is that while Ottawa continues to collect more taxpayers' money than it requires to meet its obligations, the provinces continue to struggle with the growing costs of the programs that mean the most to our people—health care and education.

This is not a healthy situation for Canada. Ontario is the largest driver of national economic growth. We recognize and accept our responsibility to make significant contributions to equalization payments to help other provinces. But if our growth is slowed by federal policies and decisions, the impacts are felt across the country.

The cumulative impact of all of these factors presented us with a challenge—to develop a balanced fiscal plan in the face of little revenue growth and growing program needs.

CHOOSING PROSPERITY

Mr. Speaker, in the face of this challenge, we know that the sound path we have established over the past seven years is still the right one to follow. This government will continue to make choices that encourage prosperity.

Tax cuts are central to the plan

Our government has pursued an aggressive tax-cut plan for one very simple reason. Tax cuts work.

We will continue with tax cuts because we want to take even more steps to promote prosperity in this province.

Over the coming months, I will be seeking advice with a view to announcing in next year's Budget a new multi-year tax reduction plan, including the next steps towards eliminating the capital tax and Ontario's income tax surtax.

In the meantime, because of our short-term fiscal situation, I propose to introduce legislation to delay, for one year only, the current planned reductions in personal income tax and in the general and manufacturing rates of corporate income tax, and the next step of the Equity in Education Tax Credit. We will also delay by one year planned reductions in education property tax rates.

Because nearly half of new jobs are created by small business, we will continue the corporate tax rate reductions for small businesses as currently scheduled. Due to the importance of mining to the northern Ontario economy, we will continue with our planned reductions in the mining tax rate.

To help people remain in the workforce, I will table legislation to remove another 50,000 people from the income tax rolls through enrichment of the Ontario Tax Reduction program.

This means 745,000 Ontarians would not pay any provincial income tax whatsoever; yet these same Ontarians will continue to pay an estimated $375 million a year in federal income tax. We believe taking modest-income Ontarians off the tax rolls is the right thing to do. We encourage the federal government to follow our lead.

Proposed Plan for Continuing Ontario Tax Cuts

January 1, 2003	■ enrich Ontario Tax Reduction program ■ cut small business corporate income tax rate to 5.5% ■ cut mining tax rate to 12%
April 1, 2003	■ cut Retail Sales Tax (RST) rates on automobile insurance premiums and repairs and replacements made under warranty to 1%
January 1, 2004	■ cut first personal income tax rate to 5.65% ■ cut middle personal income tax rate to 8.85% ■ eliminate 20% surtax for taxpayers who only pay the first tier surtax ■ implement second half of the 20% residential education property tax cut ■ cut general corporate income tax rate to 11% ■ cut Manufacturing and Processing (M&P) corporate income tax rate to 10% ■ cut small business corporate income tax rate to 5% ■ cut mining tax rate to 10% ■ implement 50% of the remaining business education property tax cut ■ increase Equity in Education Tax Credit rate from 10% to 20%
April 1, 2004	■ eliminate RST on automobile insurance premiums and repairs and replacements made under warranty
January 1, 2005	■ cut general corporate income tax rate to 9.5% ■ cut M&P corporate income tax rate to 9% ■ cut small business corporate income tax rate to 4% ■ complete business education property tax cut
January 1, 2006	■ cut general corporate income tax rate to 8% ■ cut M&P corporate income tax rate to 8%

Mr. Speaker, tobacco taxation is an important part of our efforts to discourage young people from smoking and to provide more resources for health care.

I propose to increase tobacco tax by $5.00 per carton, in partnership with the federal government and concurrent with actions by the Governments of Quebec and New Brunswick. The combined price effect in Ontario of this change will amount to over $9.00 per carton.

I also propose to amend the structure of tobacco taxation by exempting tobacco products under the *Retail Sales Tax Act* and recovering the revenues through an equivalent increase in rates under the *Tobacco Tax Act*.

This restructuring will help to reduce tax evasion and allow us to collect tobacco tax more effectively.

Efficient, effective and more accountable government

Mr. Speaker, prudence and frugality in its own operations are important contributions that government can make to prosperity.

That's why we've pursued a consistent course—tight fiscal discipline, balanced budgets and debt reduction—in order to provide more resources to priority areas.

> "The people of Ontario expect their government to live within its means...we are finding savings in every area of government activity. The government is making the same difficult decisions and adjustments that we have all had to make at home, at work and in our everyday lives."—Finance Minister Ernie Eves, 1996 Budget

We have focused on the most efficient and effective delivery of government programs and services. The result has been that, excluding health care and education, real program spending per person is down by close to 30 per cent since 1995-96.

We will continue these efforts because we cannot afford to put our hard-won fiscal discipline at risk.

Effective this year, our business planning process incorporates zero-based budgeting principles. Every ministry is now required to review all of its program

spending over a four-year cycle to determine program effectiveness, efficiency and value for money.

We're taking the process further. Minister Tsubouchi has established a Parliamentary Assistants' Committee on Program Evaluation, chaired by Julia Munro, Member for York North. Through its government-wide review, this committee will identify resources for re-direction into priority areas.

Members of the Parliamentary Assistants' Committee on Program Evaluation

Julia Munro, Chair, Member for York North

Frank Mazzilli, Member for London-Fanshawe

Marilyn Mushinski, Member for Scarborough Centre

Garfield Dunlop, Member for Simcoe North

Wayne Wettlaufer, Member for Kitchener Centre

We will also begin this year to depreciate assets in the same way that a business does, as recommended by the Ontario Financial Review Commission (OFRC), the Provincial Auditor and Rob Sampson, Member for Mississauga Centre. This will enable us to determine the true cost of delivering government services and improve our resource allocation.

I also propose to amend legislation to convert legislative spending authority and appropriation control to the accrual basis of accounting, effective the fiscal year starting April 1, 2003. This means that Ministry Estimates will be accounted for on the same basis as the Budget, as recommended by the OFRC and the Provincial Auditor.

Mr. Speaker, in the next year, we will begin to provide more stability and certainty for our public-sector partners by moving towards a multi-year approach to budgeting and funding.

We will also look for better ways to incorporate information on results so that users, decision-makers and taxpayers can hold the government and its partners accountable for delivering on their goals and objectives.

Finally, Mr. Speaker, we will table next year's Budget before the start of the fiscal year, and this should assist all public-sector organizations to plan and manage more effectively.

Mr. Speaker, these initiatives may not be the stuff of headlines, but they are the hallmark of a government with a profound respect for transparency and taxpayers' dollars.

Getting better results for taxpayers from public assets

Mr. Speaker, another step is to ensure that government's services and benefits from public assets are provided effectively, efficiently, fairly, safely and in a way that is transparent and accountable to taxpayers.

In some cases, these objectives can only be accomplished through government ownership and direct operation of public assets.

But around the world, there is growing recognition that providing benefits to people and businesses no longer requires government to be the sole provider of almost any modern service. In many cases, the role for government is to provide a strong regulatory framework and controls to protect the public interest.

In the 1900s, the public need in Ontario was electrical power at cost, all across the province. This vision of Sir Adam Beck and successive generations transformed Ontario into the industrial colossus that it is today.

But what started out as power at cost became power at any cost. And the real cost was masked by an approach that priced power below cost.

Now our generation has been handed the bill, a staggering debt of $38 billion.

Measures to pay for these past costs are being implemented. For example, the Debt Retirement Charge is paying down residual stranded debt in a prudent way over time.

We have also taken steps to meet the needs of a growing economy for reliable power at an affordable price.

The open electricity market promotes competition and consumer choice. The old Ontario Hydro has been separated into distinct generation and transmission companies. A new regulatory body—the Independent Electricity Market Operator—and a strengthened Ontario Energy Board oversee the market.

Hydro One remains part of this plan. As a result of consultation, the control of Hydro One will remain in public hands, while the government seeks the best method to bring in much-needed private-sector discipline and new investment to upgrade our electricity distribution and transmission infrastructure.

Public-sector regulation will continue to ensure that ratepayers are protected.

Further steps will be taken. Through SuperBuild, we continue to review other assets of the government, including power generation capacity, government land and buildings, and the government's interest in Teranet, with a view to improving service and increasing returns.

This government's continued commitment to responsible management of our public assets will yield substantial dividends for taxpayers.

INVESTING IN THE MOST IMPORTANT PRIORITIES

Mr. Speaker, since 1995 this government has invested in those priorities that respond to people's needs and encourage growth, jobs and prosperity.

In this Budget, we are choosing to make major investments in health care, education, and a clean and safe environment—important investments in the well-being of Ontarians, our quality of life and our future prosperity.

This Budget provides an additional $1.7 billion in health care operating spending this fiscal year, over $500 million for schools and post-secondary education, and commits half a billion dollars in investments for clean, safe drinking water. We are also increasing SuperBuild's priority infrastructure capital investments.

Overall program spending excluding expenditure on health care, education and the environment will decline by two per cent.

Dependable health care for Ontarians

Mr. Speaker, let me provide further details. First, on health care.

Universally accessible health care is central to Ontarians' quality of life, and a key part of why people want to live and work in Ontario.

People want a health care system they can count on when they need it; a health care system that promotes healthy living and wellness; a system that provides access to timely, accurate diagnosis and treatment; that ensures the availability of nurses, doctors and other caregivers.

We agree. Since 1995, we have worked relentlessly to build a modern, integrated health care system that can provide accessible, high quality health services for all Ontarians.

New investments are part of this. In 1995-96, health care operating spending was $17.6 billion. This year, it is $25.5 billion, a 7.3 per cent increase over last year. This includes a 7.7 per cent increase for hospitals.

These increased investments are making a real difference—from increased access to diagnostic services, to improved emergency rooms, to more long-term care beds.

Making a difference in health care

- The number of MRI machines in Ontario has increased from 12 to 43.
- 20,000 new long-term care beds are coming on stream.
- Increased funding for cardiac care means an additional 61,000 heart procedures performed since 1995.
- Dialysis services are available to 3,240 more patients.
- Hospital emergency rooms have been expanded and upgraded to provide quicker service.
- Ontario has North America's first free, universal influenza vaccination program, providing five million doses annually.

These investments will also improve cancer care. Today, I am pleased to announce increased funding of $50 million over three years to enhance the

Ontario Cancer Research Network, doubling the number of patients who can benefit from this research. In addition, we will provide $40 million for new therapies and treatment techniques, and $30 million to modernize and upgrade cancer radiation equipment.

Highlights of 2002-03 health care investments

- Support for hospitals to increase by 7.7 per cent to $9.4 billion, allowing for the expansion of priority programs such as cardiac services, dialysis and MRI scans.
- Over $250 million in additional funding for diagnostic services and payments to physicians and other practitioners, including alternative funding agreements negotiated with physicians.
- Nearly $200 million to support residents in long-term care facilities and to continue the expansion of long-term care beds.
- $50 million by 2005-06 to support the collaborative degree program in nursing education.
- $14 million by 2005-06 to support the expansion of undergraduate medical school enrolment by 160 first-year spaces.

My colleague, Tony Clement, the Minister of Health and Long-Term Care, will provide details of further improvements to priority programs, hospitals, long-term care facilities, and nursing and medical programs.

Improving health care in underserviced areas

- New northern medical school in Thunder Bay and Sudbury to train more doctors and encourage them to build their professional lives in the North.
- Double the number of nurse practitioners in Ontario.
- Free medical school tuition for new doctors willing to practise in underserviced areas.
- Northern Physician Retention Initiative provides eligible physicians with a retention incentive for each year they practise full time in the North.
- NORTH (Northern Ontario Remote Telecommunications Health) Network provides medical consultations and continuing medical education to rural northern Ontario communities via two-way television.

Mr. Speaker, we face major challenges for new capital investment in hospitals and other health care facilities, even though we have already invested $2.5 billion to expand, modernize and build new hospitals, and to support community health infrastructure.

Today, I am announcing an additional $342 million for health capital, an increase of almost 70 per cent over last year.

But while we recognize the need for more capital investment, we also recognize the need to improve how it is invested, where it is invested and the timeliness of those investments.

I am therefore announcing that the government will commission a Health Capital Planning Review. It will make recommendations jointly to me and Minister Clement, on ways to streamline the government's health capital planning process, measure outcomes based on performance, and clarify accountabilities. Representatives from the health care community and the private sector will be consulted as part of the Review.

Mr. Speaker, we will continue investing in health care, but new money alone will not solve the challenges that face us.

If we want to strengthen the system and improve its quality, and maintain the principles of the *Canada Health Act*, as we do, then we must continue to innovate, to renovate, to reform how we deliver services and invest in health care alternatives that work.

As Premier Eves said in his 2000 Budget, "The amount of money that government spends is not the only measure of good health care. Sustaining the quality of care that Ontarians deserve requires restructuring and reforming our health care system to keep up with new technology and meet the challenges of a growing and aging population."

Reform and innovation in health care

- Ontario's pioneering TeleHealth system offers quality advice on a round-the-clock basis across the province to an average of 3,500 Ontarians each day.
- Family Health Networks ensure that services are consistent with a reformed primary care system.
- Funding telemedicine initiatives in 140 hospital sites across Ontario.
- Support for innovative new partnership opportunities between service providers to improve accessibility to diagnostic services like MRI and CT scans.
- Created the Ontario Cancer Research Network to support research into new cancer treatments.

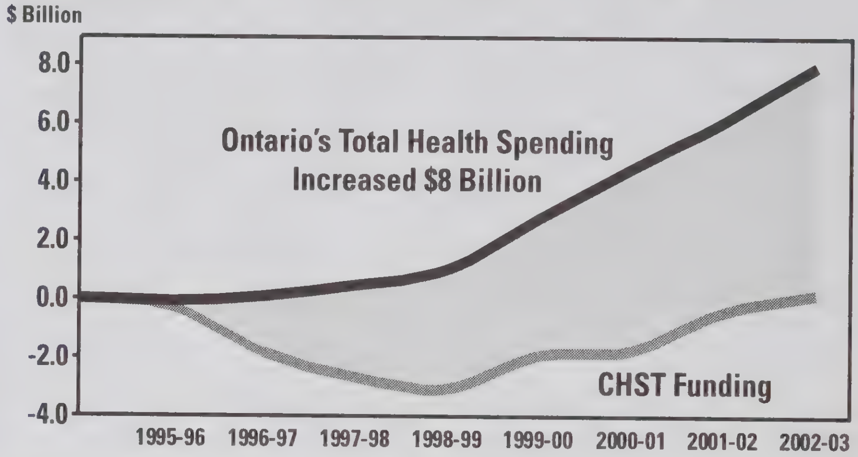
Mr. Speaker, this challenge is not unique to Ontario. It is shared by all provinces.

New treatments, new drugs, new technologies, an aging population, increased expectations and pressure for consumer choice are all increasing costs beyond the ability of provinces to pay, are fuelling demands for reform we cannot undertake on our own.

These are challenges that no province can meet alone. The federal government, the provinces and service providers must all be part of the solution.

Across Canada, health care spending continues to rise at over five per cent per year. Meanwhile, the federal government's contribution is less than it was in 1994-95, when total cash transfers were equal to 18 per cent of health, education and other social program spending. Last year, CHST cash transfers totalled only 14 per cent of spending in these areas. For Ontario, this is a shortfall of $2 billion in federal support for health care this year.

Change in CHST Payments and Ontario's Health Spending Since 1994-95



Source: Ontario Ministry of Finance.

Mr. Speaker, we all hope that the Romanow Commission's report contributes to a stronger future for health care. But, regardless of its findings, we already know that health care has to be a shared national priority—for resources and for reforms that will improve the quality of health care outcomes.

Ontarians, indeed all Canadians, express their nationalism through their belief in our universally accessible health care system. Our government shares this basic faith and its citizens' values.

Ontario remains willing to work with the federal government, other provinces and our health partners to implement the needed reforms that will secure this vision.

Education and skills training for the future

Improving student learning in our elementary and secondary schools

Mr. Speaker, a quality education and lifelong learning are the most fundamental building blocks of future prosperity. Excellence in education is the key to ensuring that every young person in Ontario has equal access to opportunity, no matter where he or she lives.

"Education is not all bricks and mortar nor does it revolve entirely around dollars and cents. What is important and must be kept in the forefront of all our planning is the student. Education, to be fully effective, must begin in infancy and be carried on through life. We in government, our educators and you as parents, taxpayers and citizens must realize that the continued progress of our society is largely dependent on the quality of education we provide to our children."—Premier John P. Robarts, 1966

Parents, employers and post-secondary institutions all told us that public education had to improve, that Ontario needed to do better. Since 1995, our government has been putting in place a comprehensive plan to improve student learning and achievement.

The key elements of our plan include:

- A new, more rigorous curriculum from kindergarten to the end of high school that sets high standards for students.

- Province-wide tests that now report regularly on how well students are meeting standards.

- Improvement strategies that respond to test results, such as the Early Reading Strategy to raise reading skills in the early grades, and the requirement that elementary schools now set improvement targets for higher achievement in early reading.

- Comprehensive standards for teachers' ongoing professional development, performance appraisal in the classroom and an entry-to-the-profession test for all beginning teachers, to ensure they all have the most up-to-date skills and knowledge.

This plan is working. Student achievement is improving in both national and international tests.

It is essential that we build on these successes. That we continue to invest in improvements in student achievement. That the public education system become more accountable for results.

"In the long run, the key to public support is the education system's commitment to continuous improvement and accountability for results."
—Task Force on Effective Schools, 2001

This spring, Premier Eves announced an additional $65 million for school boards, specifically targeted to purchase textbooks and technology-based learning materials.

We also provided a $25 million investment for 2002-03 to expand the highly successful Early Reading Strategy from Grade 3 to Grade 6 and to introduce an Early Math Strategy from junior kindergarten to Grade 3.

To keep this focus on school improvement and higher student achievement, I am announcing several new initiatives.

To further support improved student learning, I am pleased to announce the creation of the Student Achievement Fund. This $20 million Fund will begin by providing $5,000 to every elementary school principal whose school meets or exceeds its student literacy goals in Grade 3. The principal, in consultation with the School Council, will be able to invest in their local initiatives that further improve student learning in that school.

Ontario has many excellent and dedicated teachers. And while we have set higher standards for teacher performance and professional development, we also believe that our teachers deserve support in their ongoing efforts to continue learning and upgrading their skills. In the coming year, we will provide $10 million in one-time funding to develop further professional learning resources for teachers and principals.

We will also invest $5 million in 2002-03 to extend the Early Math Strategy from the Grade 3 to the Grade 6 level and to enhance the teaching skills of elementary school teachers in this area. Improved teaching skills will help students meet the higher standards of the new curriculum.

Investing in Special Education

- Special Education is a priority for this government. Funding for Special Education has increased by 17 per cent since 1998-99 to $1.4 billion.
- To address the issue of delays in obtaining Intensive Support Amount (ISA) assessments for special needs children, an additional $10 million will be provided to enhance access to ISA assessments in 2002-03.

Mr. Speaker, every day 800,000 Ontario children ride school buses to school, so it is essential that our school bus system be both safe and efficient. Today, I am pleased to announce that an additional $20 million annually is being committed to assist with student transportation costs.

This will support the further development of a new approach to student transportation funding that will ensure school boards work together to provide safe and efficient transportation for their students.

I am also pleased to announce that we are taking action to upgrade and renew our school facilities, starting with the most pressing needs. This involves two related initiatives.

First, we are making a commitment of $17 million over two years to work with school boards to assess school renewal needs across the province and to identify the most important investment priorities.

Second, we will also provide an ongoing increase of $25 million in school renewal funding to enable boards to make urgently needed repairs and renovations. This is in addition to the previously announced $6.5 million for nine school boards facing prohibitive repair costs.

Finally, Ontario will invest $10 million this year to upgrade provincial schools for children with disabilities.

Mr. Speaker, the initiatives that I have announced today will increase our commitment to public education by an additional $45 million for the 2002-03

school year and will add $45 million to address additional education priorities in the current fiscal year.

Mr. Speaker, earlier this spring, my colleague, Elizabeth Witmer, the Minister of Education, announced a significant increase of nearly $350 million in student-focused funding for the coming school year.

In fact, education funding has increased from $12.9 billion in 1995 to $14.3 billion this year, an increase of 11 per cent, which is greater than the increase in enrolment over that time period.

Our government introduced student-focused funding in 1998. It ties education funding to enrolment and student need instead of the local property tax base. There are no more "rich" school boards and "poor" school boards, and students have equal access to education wherever they live. It also ensures that less is spent on administration so that more can be directed to the classroom.

While student-focused funding has accomplished much, Ontarians have told us they want to be sure that the formula is investing resources where they are needed most.

For that reason, the Throne Speech announced the appointment of Dr. Mordechai Rozanski, President of the University of Guelph, to review the formula. Minister Witmer released the terms of reference for this review last week.

Mr. Speaker, on November 3, 2000, Premier Mike Harris launched Ontario's Promise—the Partnership for Children and Youth.

It is based on Ontario's long tradition of volunteer spirit and community service. It supports our children by mobilizing individuals, families, youth organizations, schools, business and government to work together in a unique partnership to keep five promises to our young people:

- A healthy start;
- An adult who cares;
- Safe places to learn and grow;

- The tools to succeed; and
- A chance to make a difference.

To date, over $39 million has been committed from Partners of Promise.

The Ontario government is continuing its support for this initiative as Mr. Harris, who is now the Chair of the Ontario's Promise Board, works to expand partnerships with the private and not-for-profit sectors to help children and families.

Further investments in universities and colleges

Mr. Speaker, because we live and compete today in a global, knowledge-based economy, post-secondary education is central to our future prosperity. It plays a critical role in improving Ontario's natural advantage—our highly skilled workforce and the diversity of our population with its contacts all over the world.

To expand and improve post-secondary education, we have been investing in new buildings and labs, new research funding, new capital and new advanced skills initiatives like the Access to Opportunities Program.

In anticipation of increasing post-secondary participation and the arrival of the "double cohort" of secondary-school graduates at our institutions in 2003, we invested more than $1 billion to create over 73,000 new student spaces in our colleges and universities through SuperBuild.

This is the largest infusion of capital dollars since the Robarts and Davis governments created Ontario's modern post-secondary education system. Universities and colleges have committed to making another 36,000 spaces available through operating improvements.

As part of our plan to expand post-secondary capacity, the budget bill I am tabling today includes the establishment of the University of Ontario Institute of Technology in Durham. This new institution would provide innovative and responsive training that would allow students to earn a degree, diploma or other credential, depending on their program of choice.

New Investments in Post-Secondary Education

A space for every student

- Increased operating grants by an additional $75 million, reaching $368 million by 2003-04 to address higher enrolment.
- $16 million operating enhancement to northern and rural colleges and universities.

Meeting skills shortages

- $50 million by 2005-06 to support collaborative degree programs in nursing education.
- $50 million over five years for state-of-the-art equipment and learning resources through the College Equipment and Renewal Fund.
- $25 million annually by 2005-06 to further expand apprenticeship and training.
- $14 million by 2005-06 to support the expansion of undergraduate medical school enrolment by 160 first-year spaces.

Enhancements to student assistance

- The Province will consult with students, colleges and universities on designing the second phase of the Ontario Student Opportunity Trust Fund so that it can assist 400,000 students over the next decade.

Last year, we made a multi-year operating grant commitment to support the expected increase in enrolment. But revised projections show a greater-than-anticipated enrolment over the double-cohort period. So we are increasing our previous multi-year funding commitment to colleges and universities by $75 million, raising it to $368 million by 2003-04.

Mr. Speaker, we need more student spaces to accommodate the higher-than-expected enrolment increase.

I am therefore announcing that SuperBuild will work with my colleague, Minister Dianne Cunningham, and the Ministry of Training, Colleges and

Universities to invite a new round of post-secondary SuperBuild proposals. We will be seeking the most cost-effective and creative financing proposals to increase the number of student spaces in the areas where they are needed.

We are committed to continuing our partnership with our post-secondary institutions to ensure that there will be a place for every willing and qualified Ontario student.

> "This bill... provides for the establishment and operation of a system of colleges of applied arts and technology....This development is another step towards the fulfillment of our efforts to expand and redesign our schools and universities to meet more adequately the changing demands of very challenging times."—Honourable William G. Davis, Minister of Education, 1965, announcing the creation of Ontario's community college system

Mr. Speaker, the 25 colleges of applied arts and technology graduate skilled workers from campuses in more than 100 Ontario communities. They play a pivotal role in teaching the technical skills for hundreds of occupations in our economy.

To help colleges deliver on their role, we are establishing the College Equipment and Renewal Fund. Over the next five years, the Fund will provide $50 million to colleges to support the acquisition of state-of-the-art equipment and learning resources.

We also recognize that northern and rural colleges and universities face financial challenges due to economies of scale and geography. To provide fairness and equity, we will provide $10 million annually in additional operating funds to northern colleges and those serving rural communities, and an additional $6 million annually to northern universities.

Lack of financial resources should not limit the opportunity to gain a post-secondary education. The Province will consult with students, colleges and universities on designing a second phase of the Ontario Student Opportunity Trust Fund so that it can assist 400,000 students in attending colleges and universities over the next decade.

Expanding apprenticeship and training options

Mr. Speaker, the government has modernized our apprenticeship system and increased funding by nearly 50 per cent.

In 1996, the federal government agreed to devolve primary responsibility for training to the provinces, along with nearly $2 billion from Employment Insurance funds to pay for employment programs.

Six years later, Ontario is the only province where the federal government has refused to sign an agreement. We continue to urge them to sign the Labour Market Development Agreement. Signing of the Agreement would allow Ontarians to access almost $600 million in apprenticeship and skills training funds.

"Stakeholders believe strongly in the value of OYAP (Ontario Youth Apprenticeship Program) and support the government's commitment to double the number of new apprentice registrants, thereby increasing the number of OYAP opportunities."—Garfield Dunlop, MPP, Report on Technological Education in Ontario's Public Schools: Contributing to a Skilled Workforce, 2002

With or without an Agreement, however, Ontario must continue to improve our training system and expand the apprenticeship model to new skills areas. We will therefore make further investments in apprenticeship of $5 million this year, rising to $25 million by 2005-06, to provide training for 6,000 to 8,000 additional individuals.

A safe and healthy environment

Mr. Speaker, we are committed to ensuring that Ontario has the toughest policies in the world for safe, clean drinking water and we will dedicate whatever resources are required to accomplish this goal.

Following the tragic events at Walkerton, the government took immediate steps to improve water safety. These included $18 million for Operation Clean Water to implement tough new regulations for water system operations.

Justice Dennis O'Connor's two reports provide a clear roadmap to finish the job. That is why we have accepted all of his recommendations, and remain

fully committed to their implementation. We are providing additional funding to more than double the number of inspectors to inspect municipal water systems.

The events of the past week indicate the importance of constant vigilance to ensure that Ontario's water is safe and clean. Should further steps be required, we will take them to assure Ontarians that our drinking water is clean and safe.

Justice O'Connor estimated that the one-time cost to the province, municipalities and individuals of implementing his recommendations would be up to $280 million, with ongoing costs of about $50 million.

Mr. Speaker, I am pleased to announce that the government will itself commit to an investment of over half a billion dollars in the next two years on clean, safe drinking water for the people of Ontario. This year we will provide $245 million, including investments to:

- help municipalities upgrade their water systems to meet our tough new standards and make improvements to their wastewater systems;
- establish the $50 million Clean Water Legacy Trust and the Clean Water Centre of Excellence in Walkerton to provide access to the best scientific knowledge, research and technology and training in the management and monitoring of our safe drinking water;
- begin implementing Justice O'Connor's Part 2 recommendations;
- conduct groundwater studies to support the development of source water protection plans; and
- purchase new environmental and water monitoring equipment for the Ontario Ministry of the Environment and Energy.

Researchers are on the verge of developing an automated water-testing system enabling the immediate detection of biological contamination and immediate notification of those responsible for maintaining water systems. The Province will work with municipalities, researchers and individuals to develop and utilize this innovative technology for the safety and benefit of Ontarians.

I would like to thank Marilyn Churley, Member for Toronto-Danforth, for her proposed legislation to improve the province's drinking water quality. My colleague Chris Stockwell, Minister of Environment and Energy, will work with her to ensure passage of a Safe Drinking Water Act for Ontario, strengthened by Justice O'Connor's recommendations.

Justice O'Connor also supports Bill 155, the Sustainable Water and Sewage Systems Act, as the underpinning of a sound legislative approach to ensure clean, safe water for the future. In proceeding with the implementation of this proposed legislation, we recognize, as does Justice O'Connor, that there may be exceptional circumstances where some municipalities may require assistance to keep water rates affordable for users.

In his Part 2 report, Justice O'Connor recognizes that everyone will have to contribute their fair share to the cost of ensuring a safe, clean water supply, and he estimates that his recommendations could cost up to $19 per household per year.

Justice O'Connor also emphasized the importance of watershed planning and management. We agree, and have already taken the first step, through the *Oak Ridges Moraine Conservation Act,* to protect 100 per cent of the Moraine's important water resources and significant natural features.

We have endowed the Oak Ridges Moraine Legacy Trust with an initial $15 million. Along with partnership funding from other levels of government, and the private and non-profit sectors, the Trust will fund such activities as securing land, stewardship, research, public education, and support for the establishment of a continuous Oak Ridges Moraine Trail.

From the creation of provincial parks to the Niagara Escarpment to Ontario's Living Legacy, Progressive Conservative governments have a long and impressive history of securing our natural heritage and protecting environmentally sensitive areas.

Mr. Speaker, the government is also committed to clean air. I want to thank the Select Committee on Alternative Fuels and Energy, chaired by Dr. Doug Galt, Member for Northumberland, for the many thoughtful and creative recommendations contained in its report.

Consistent with one of the report's recommendations, the Premier recently proposed that biodiesel be exempt from fuel tax in Ontario. In addition, I propose to extend the sales tax rebate for hybrid-electric automobiles to cover sport utility vehicles and light trucks equipped with this technology.

Ontario's Air Quality Initiatives

- Ontario's Drive Clean will expand in July 2002 to cover all of southern Ontario's smog zone.
- The Smog Patrol identifies and tests vehicles with excessive visible exhaust on Ontario's highways, including out-of-province vehicles such as trucks and buses.
- The government is requiring the Lakeview Generating Station to cease burning coal by April 30, 2005. In addition, Ontario has introduced tough new limits (caps) on air pollutants and an emissions-reduction trading system for the electricity sector.
- Ontario's open electricity market allows consumers to choose electricity from renewable energy sources.
- Ontario is one of the first jurisdictions in the world to require monitoring and public reporting on a full range of greenhouse gases linked to climate change.
- Ontario passed legislation in 2000 giving the Province the highest fines and longest jail terms in Canada for major environmental offences.

Investing in infrastructure—building for the future

Mr. Speaker, prosperity requires investing in the infrastructure on which our economy and quality of life depend—highways, transit, universities and colleges, hospitals, water systems and community facilities.

That is why we created SuperBuild. With our public and private partners, we will invest at least $20 billion over five years.

With the $2.7 billion allocated in this Budget for infrastructure investments, the government and our partners are well on track to meet that target by 2004.

SuperBuild investments in Ontario's cultural renaissance

On May 31, 2002, Premier Eves announced a $119.5 million investment in seven of Ontario's key cultural facilities, including:

- $31 million for the Canadian Opera House (value of land)
- $30 million for exhibits and events expansion to the Royal Ontario Museum
- $24 million for expansion and improvements to the Art Gallery of Ontario
- $20 million for expansion of the National Ballet School
- $10 million for expansion of the Royal Conservatory of Music

Taking into account partner contributions, these projects will result in capital investments of more than $500 million.

SuperBuild investments in highways and transit

- $10 billion over 10 years to renew and expand our highway system.
- Investment of $1 billion in our highway system in the coming year.
- Moving forward on our 10-year, $9 billion transit investment plan.
- The federal government needs to become a full transit investment partner with Ontario and its municipalities.
- Full responsibility for GO Transit taken back. GO Transit's current services to be the foundation for the expansion of inter-regional transit throughout the entire Golden Horseshoe area.

Investments to help vulnerable people

- $27 million annually to provide specialized programs and services to help children with a combination of physical, developmental, behavioural and psychiatric disabilities whose complex needs are not being fully met within their communities.
- $104 million in 2002-03, growing to $197 million annually, to enhance services for people with developmental disabilities. This is an increase of $49 million from 2001-02. In addition, the Province remains committed to its investment of $67 million over five years to build new places for people with developmental disabilities to live within the community.
- Over $860 million to protect children from neglect and abuse—an increase of 139 per cent since 1995.
- $114 million this year to provide respite care for families caring for high-needs children and for parents caring for adult sons and daughters with developmental disabilities.

Respecting and equipping those who protect us

- Working with the fire services community, create a firefighters' memorial on the grounds of Queen's Park.
- $4 million to equip more OPP vehicles with mobile work stations.

REINFORCING GROWTH IN THE NEW ECONOMY

Fostering an innovative economy

Mr. Speaker, we recognize that to become more productive and competitive, Ontario must become more innovative. Our goal is to be one of North America's top-performing jurisdictions for research and innovation.

Since 1997, the Research and Development Challenge Fund has committed nearly all of its half a billion dollars to fund research projects province-wide.

To promote research excellence and partnership between industry and Ontario's research community, I am today announcing a $250 million expansion over

five years to allow the Fund to call for a new round of research proposals this fall.

We will also provide a $300 million enhancement to the Ontario Innovation Trust to help Ontario's universities, community colleges, hospitals and research institutions develop the infrastructure needed for scientific research and technology development. This will bring the government's investment in Ontario's research infrastructure to well over $1 billion.

The Challenge Fund and the Ontario Innovation Trust work together to promote research excellence and increase research capacity in Ontario. Including today's announcement, this government will have committed a total of $1.8 billion to innovation through these two programs.

Just last week we saw how these two programs can work together. On June 14, the government announced a joint investment of more than $11.5 million from both of these programs to the Perimeter Institute and the University of Waterloo, for projects to support world-class institutes for theoretical physics and quantum computing.

In this Budget, Mr. Speaker, I am committing an additional $5 million per year for three years to support the Perimeter Institute's important work, starting in 2004-05. This brings our total commitment to over $25 million.

Mr. Speaker, in the 2000 Budget, we made a $30 million annual commitment to the Ontario Research Performance Fund. The Fund is the only ongoing program in Canada solely dedicated to covering the overhead costs of research.

We will strengthen our commitment to research by increasing this Fund by $2 million per year. We also challenge the federal government to provide ongoing and adequate support to cover overhead costs of federally sponsored research.

Mr. Speaker, Ontario needs to realize greater social and economic benefits from its R&D investments and the scientific output of its universities, colleges and research hospitals. More successful commercialization requires improved connections between publicly funded research and the marketplace and entrepreneurs who produce products and services that can compete globally.

Today I am announcing a $161 million renewal for five years of the Ontario Centres of Excellence Program to help our small and medium-sized

entrepreneurial firms access expertise and commercialize inventions from publicly funded institutions.

Mr. Speaker, strong linkages between academic research and entrepreneurial firms are essential in the biotechnology sector. More than half of the Research and Development Challenge Fund's investments have promoted industry-academic research partnerships in the life sciences. But we need to do more—and we are.

On June 7, Premier Eves announced a $51 million strategy that will help make Ontario a North American leader in biotechnology by attracting scientists and new investments. It includes a $20 million investment in the Medical and Related Sciences Discovery District in downtown Toronto, which could result in total public and private investment of up to $300 million.

The strategy also includes a $30 million Biotechnology Cluster Innovation Program to provide grants to develop regional innovation plans and support the development of commercialization centres, research parks and innovation networks in regions across Ontario.

The government will also provide seed funding for a Bioprocessing Institute, which will help make Ontario a leader in the development and manufacture of therapeutic proteins, the basis for promising new medicines.

Further details of these initiatives will be announced by my colleague Jim Flaherty, the Minister of Enterprise, Opportunity and Innovation.

Fair and efficient financial markets

Mr. Speaker, businesses need access to capital to invest in new products and services and in job creation. Savers and investors need financial markets in which they can be confident their financial interests will be safeguarded.

I would like to thank Purdy Crawford and the other members of the Five Year Review Committee for their recently published draft report on the *Ontario Securities Act*.

The report pointed out that the Canadian securities industry faces 13 sets of rules and regulations administered by 13 different regulators. This places a burden on business and investors operating in different regions of the country and weakens Canada's economic performance.

I intend to work with my colleagues across the country to promote the benefits that will result for all of us from moving towards national securities regulation.

Mr. Speaker, when we were elected in 1995, Ontarians were facing double-digit increases in auto insurance rates—the result of the flawed policies of previous governments. As a result of our 1996 auto insurance reform legislation, rates fell for a number of years. However, the market has changed. Both here and across North America, rising health care and vehicle repair costs are contributing to higher rates.

We will address pressures on the system and also consider longer-term solutions to ensure that automobile insurance remains available and affordable to Ontario citizens. I have asked my Parliamentary Assistant, Ted Chudleigh, and Rob Sampson, the original author of our 1996 reform package, to complete the consultation that began last year and to return to the government as soon as possible with an action plan.

Healthy and growing communities

Mr. Speaker, strong cities, towns and rural communities are vital to achieving economic prosperity. We recognize this, and have invested in the ability of our communities to contribute to our economic growth and our quality of life.

We have implemented comprehensive and far-reaching reforms to the property tax system to improve fairness and to restore the health of this important revenue source for municipalities.

My colleague, the Minister of Municipal Affairs and Housing, Chris Hodgson, introduced the first new *Municipal Act* in Ontario in over a century, to ensure that the legal and financial powers of municipalities will support their modern responsibilities.

Under his leadership, we have launched an ambitious partnership initiative, Smart Growth, to promote and manage growth in ways that sustain a strong economy, build strong communities and promote a clean and healthy environment.

Smart Growth means making investments for a better transportation network to reduce gridlock and emissions in urban centres. It means promoting economic

growth in northern and rural areas so that youth have real opportunities to stay in their communities, and it means directed growth, away from key environmental features and significant agricultural lands.

Ontario values the contribution that strong cities make to the continuing prosperity of Ontario and Canada, as urban regions across North America compete with one another for global investment and jobs.

We are willing to join the emerging dialogue about a new deal for cities—if it's the right one. We recognize that there are calls for new revenue sources for cities, but there are also calls for greater accountability and reforms to governance. At all levels of government, taxpayers need strong assurances that their money will be spent wisely.

Furthermore, Mr. Speaker, a new deal for cities requires, as a precondition, a new deal between the federal government and Ontario to restore the balance between revenue and funding responsibilities for all levels of government in Canada.

We will continue to work in partnership with municipalities, guided by Smart Growth principles, to ensure that our communities have the infrastructure they need to sustain their contribution to Ontario's economic prosperity. We welcome the federal government's participation in this partnership.

Support for municipal infrastructure in Ontario's communities

- Provincial investment of $520 million in 2002-03, including federal flow-throughs, for municipal infrastructure initiatives:
  - Helping municipalities make investments to bring them into compliance with the new Ontario Drinking Water Protection Regulation and make other improvements to their water and wastewater systems;
  - Improving and modernizing sports, cultural, recreational and tourism facilities;
  - Enhancing and expanding public transit, and renewing municipal bus fleets; and
  - Investing as a partner in strategic infrastructure projects in major urban areas, including the Toronto Waterfront Revitalization initiative.

In the current fiscal year, we will provide $520 million for municipal infrastructure, including investments in clean, safe drinking water; public transit; and community, recreational and cultural facilities.

Ontario's municipalities are accountable to their citizens to invest prudently in maintaining and improving their infrastructure. Where municipalities choose to borrow funds to support their investments in infrastructure, we want to ensure that their borrowing costs are as low as possible. We will consult with municipalities on how to lower their financing costs, including through the introduction of tax-free Opportunity Bonds.

This government's plan must allow Ontario's smaller and more remote communities to take advantage of the economic growth seen in larger urban centres. We will therefore consult with the private sector and communities about the conditions that are necessary to support sound business investments. We will draw on their experience and advice to develop legislation that would establish tax-incentive zones in Ontario. These zones would create economic growth and give young people the opportunity to live, work, raise a family and give back to the communities where they grew up.

Strong communities need strong leadership. We will fund the Ontario Centre for Municipal Best Practices, a partnership between the Ontario government and the Association of Municipalities of Ontario.

New investments in northern and rural Ontario

- $255 million (including federal cost-sharing of $9 million) to improve northern highways, a key support to economic development in the North.
- $36 million for partnership projects to promote alternative agricultural products and markets, rural economic diversity and the creation of long-term jobs in rural Ontario.

Supporting our agricultural communities

Mr. Speaker, agriculture is one of Ontario's major industries. But it is also a way of life in rural communities across the province.

The future of our family farms and the sustainability of our agri-food industry are challenges that affect all Ontarians. The industry is faced with a host of important issues, including global trade, new technologies and environmental concerns.

Ontario is working with the industry through the Premier's Roundtable discussions. In addition, my colleague Helen Johns, the Minister of Agriculture and Food, is representing Ontario in the discussions leading to a new Agricultural Policy Framework with our provincial and federal counterparts. Ontario is committed to negotiating the best possible deal to meet the needs of our farmers, today and for the future.

My colleague Brian Coburn, the Associate Minister Responsible for Rural Affairs, has emphasized to me the importance of a fair property tax for farmers. I am pleased to announce my intention to bring forward changes recommended by Minister Coburn and my Parliamentary Assistant, Marcel Beaubien, respecting the property tax treatment of farmland.

I look forward to receiving Mr. Beaubien's final report on the property tax assessment process in the coming weeks with the goal of improving property tax fairness in other sectors in this province.

Fairer property taxes for farmland

- Beginning in 2003, municipalities would be enabled to set a tax rate for the farmlands property class that is below 25 per cent of the residential tax rate. Both municipalities and farmers believe this would better recognize the valuable contribution made by farm properties to their communities.

- Also beginning in 2003, government-owned farmlands that are occupied by tenant farmers would be eligible for inclusion in the farmlands property tax class, ensuring that members of the farm community are treated consistently.

CONCLUSION

Mr. Speaker, deficits eat away our future growth and undermine public- and private-sector confidence.

That is why I am tabling the fourth balanced Budget in a row and why I am committed to tabling a balanced Budget for 2003-04.

As we look ahead, it is clear that Ontario continues to be Canada's engine of prosperity. Virtually all of the economic indicators are improving.

As a result, private-sector forecasters expect real economic growth to exceed three per cent this year and be more than four per cent next year. As it did over the 1996-2000 period, Ontario's dynamic economy will once again register growth exceeding that of the G-7 nations over the next two years.

Positive economic indicators

- 70,000 new jobs have been created since September of last year. Employment is projected to rise by between 1.5 and 2.0 per cent this year, and an additional 2.5 to 3.0 per cent in 2003.
- Stronger job growth has led to stronger household spending. Ontario retail sales are up 5 per cent so far this year and department store sales are 8.1 per cent ahead of the same period last year.
- Ontario is the leader in creating new manufacturing jobs in North America. Ontario added 24,000 net new jobs in this sector since September, while the United States lost 649,000 manufacturing jobs.
- Housing starts in Ontario are expected to reach 80,000 in 2002, the highest level in 13 years. So far this year Ontario home sales have soared 29.7 per cent ahead of last year.

The challenges we successfully faced over the past year would have been much worse, Mr. Speaker, without the earlier growth in jobs and prosperity resulting from our plan, and without the stimulus to consumers and investors we provided through tax cuts.

Some will argue that there is little we can do to influence the global economic forces that buffet our province. We disagree.

The plan we laid out in 1995 has helped Ontario weather this challenging economic storm. All we have to do is remember the last recession of the early 1990s.

Ontario was first into the hole, we went down the deepest, and we were the last out—with an $11 billion deficit.

Coming out of the downturn, Mr. Speaker, our citizens are benefiting from $11 billion a year in tax relief, our prudent fiscal management has kept our budget balanced, and our resources are focused on the priorities of Ontarians—health care, education and a clean and safe environment.

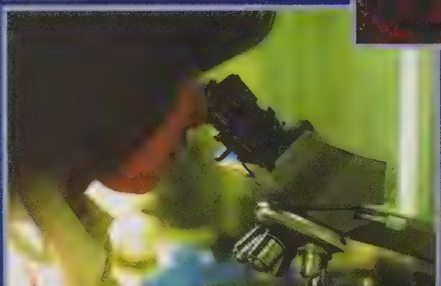
Our government has put in place the right fundamentals for growth and prosperity, as we promised we would.

The skills, the creativity, the courage and the hard work of Ontarians will do the rest.

Thank you, Mr. Speaker.





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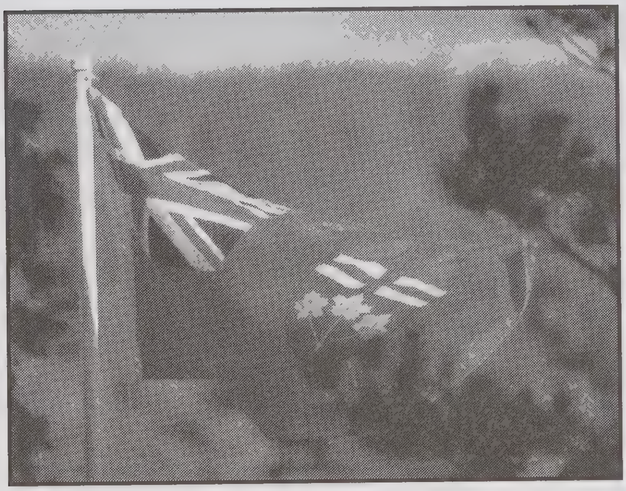
Budget Papers

The Honourable Janet Ecker
Minister of Finance

Ontario

2002

Ontario Budget



Budget Papers

The Honourable Janet Ecker
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Economic Growth Strengthens: Ontario's Economic Outlook

Overview

Renewed economic growth and optimism demonstrate the resilience of Ontario's economy within the North American market. In the wake of the terrorist assault on the United States, at a time when economic expansion was already fragile, confidence plunged and forecasts for growth were scaled back sharply. These forecasts turned out to be too pessimistic. Business, workers and government met the challenge and our economy is once again growing strongly.

Following five years of close to 5 per cent annual real growth, Ontario's output growth slowed to 1.0 per cent in 2001. Tax cuts and other policies implemented by the Ontario Government cushioned the negative impact of the downturn in the U.S. economy and the subsequent fall in demand for Ontario products, particularly automobiles and telecommunication equipment.

These policies are now helping the economy resume strong growth. Ontario's economy is forecast to grow by 3.1 per cent in 2002 as the recovery from last year's slowdown takes hold. In 2003, real growth is expected to accelerate to 4.2 per cent. As it did over the 1996 to 2000 period, Ontario's dynamic economy will once again register growth exceeding each of the G-7 nations over the 2002 to 2003 period.

Recent economic performance confirms Ontario's renewed economic strength. Reports on job creation, consumer and business confidence, consumer spending and housing markets all point to renewed vigorous growth.

Ontario Economic Assumptions
(Annual Average)

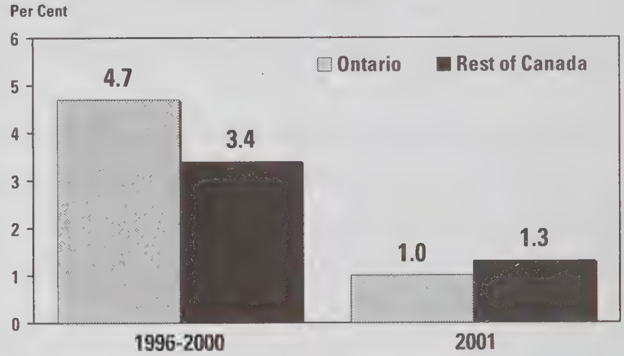
	2000	2001	2002	2003
Real GDP Growth (per cent)	5.3	1.0	3.1	4.2
Nominal GDP Growth (per cent)	5.9	2.4	3.5	6.0
Employment (thousands)	5,872	5,963	Up to 6,079	Up to 6,264
Unemployment Rate (per cent)	5.7	6.3	6.5 - 6.8	6.0 - 6.5
CPI Inflation (per cent)	2.9	3.1	1.8	2.0

Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario Hard Hit by Global Slowdown in 2001

Cutting taxes, balancing the budget and creating a positive environment for investment and job creation helped Ontario weather the 2001 downturn in global growth. Ontario has a record of strong and broadly based economic growth. Over the 1996 to 2000 period, real GDP grew by an average of 4.7 per cent per year. Over this period, Ontario's growth was much stronger than that of any G-7 nation. Ontario was also the fastest-growing provincial economy in Canada.

Real GDP Growth: Ontario vs. Rest of Canada



Sources: Statistics Canada and Ontario Ministry of Finance.

Ontario's real Gross Domestic Product (GDP) grew by 1.0 per cent in 2001. For the first time in five years, Ontario's real GDP growth was lower than Canada's as a whole. The auto industry and the telecommunication equipment manufacturing industry, two of the province's key export sectors, were particularly hard hit by the global slowdown. Manufacturing production fell 4.7 per cent in 2001. Ontario motor vehicle production fell 8.1 per cent, as firms cut production to adjust inventories in line with slower demand. Ontario exports of telecommunication equipment dropped 10.5 per cent. The tragic events of September 11 dealt a further blow to the global economy through disruptions in economic activity and sharp but temporary declines in confidence and spending.

Although the province was severely affected by the global slump, the economy performed much better than it did during the early 1990s when worldwide growth also faltered. In fact, despite a sharper decline in exports (-2.8 per cent in 2001 versus -2.5 per cent in 1991), Ontario's employment rose 1.5 per cent in 2001, compared to a 3.4 per cent decline in 1991.

Ontario's Economic Performance 2001 vs. 1991

Sources: Statistics Canada and Ontario Ministry of Finance.

The resilience of Ontario's economy last year in the face of weaker external demand reflected in large part Ontario's sound economic and fiscal management, which supported domestic spending. Real consumption rose 2.2 per cent in 2001 compared to a 1.8 per cent drop in 1991. The strength of household spending reflected the growth of disposable income. Tax cuts and job gains boosted real take-home pay by 1.6 per cent in 2001 compared to a 1.5 per cent decline in 1991.

Economic Growth Strengthens in 2002

Lower interest rates, lower taxes and aggressive marketing by automakers have spurred healthy growth in Ontario consumer spending. In addition, stronger U.S. demand has contributed to a turnaround in Ontario's manufacturing production. These factors have boosted job creation, lifted incomes and fuelled exports, underpinning a solid rebound in growth in the first half of 2002. Business investment is expected to gain strength in the second half of the year as firmer economic growth takes hold. Private-sector forecasters, on average, expect Ontario real GDP growth of 3.2 per cent for 2002. The expansion is expected to continue in 2003, with real output advancing by 4.3 per cent.

In keeping with Ontario's policy of prudent forecasting, the Budget's economic planning assumptions are below the current private-sector consensus.

Economic Growth Assumptions
(Per Cent)

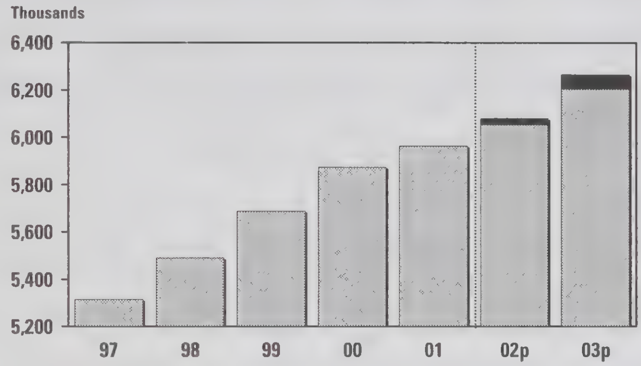
	2002	2003
Ontario Real GDP Growth		
Private-sector survey average	3.2	4.3
Ontario's Planning Projection	3.1	4.2

Note: The private-sector average is based on eight recent forecasts.
Sources: Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (June 2002).

Job Creation Resumes

Job creation has resumed, with 70,000 new jobs created in the last eight months, following job losses totalling 22,000 over the May to September period. As economic growth improves, the pace of job creation is expected to pick up.

Ontario Employment*: 1997-2003



*Average annual employment level.
p = projection. Black area shows projection range.
Sources: Statistics Canada and Ontario Ministry of Finance.

- Job gains have been led by the manufacturing sector, educational services, accommodation and food services, and transportation and warehousing.
- A total of 893,000 net new jobs have been created since September 1995.
- Ontario employment is projected to increase by between 1.5 and 2.0 per cent in 2002. Job creation is expected to register gains between 2.5 and 3.0 per cent in 2003, as stronger growth in the economy takes hold.
- New job opportunities will open up, as firms continue to expand business operations in response to Ontario's competitive tax environment. This will prompt more Ontarians to enter the labour market.

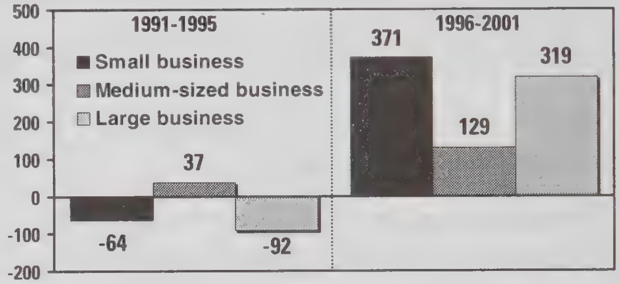
Positive Business Climate Supports Broad-Based Job Creation

Ontario government policies are creating a positive business climate that contributes to the diversity and resilience of the economy. The government is cutting taxes, making strategic investments in education, innovation and infrastructure, modernizing financial regulations, reducing red tape and eliminating other barriers to growth.

Within this supportive economic environment, businesses of all sizes, across a wide range of industries, have contributed to strong job growth in the province since 1995.

Businesses of All Sizes Contribute to Job Growth

Cumulative change in net new private-sector jobs in Ontario (Thousands)



Note: Small business defined as having up to 49 employees (including self-employed individuals); medium-sized business, 50-499 employees; large business, 500 or more employees.
Sources: Statistics Canada and Ontario Ministry of Finance.

- Small and medium-sized enterprises (SMEs) have responded strongly to the improved tax, regulatory and general business climate. SMEs generated an estimated 500,000 net new jobs over the 1996 to 2001 period, or 61 per cent of total private-sector job creation.
- Business services and manufacturing led Ontario job growth over the 1996 to 2001 six-year period, with each sector adding about 210,000 jobs. In addition, retail and wholesale trade, leisure services and construction contributed significantly to job growth, aided by strong domestic spending.
- Businesses across many industries and regions have responded to the positive business climate by investing in Ontario.
  - General Motors of Canada is adding a third shift of production to its Oshawa Car Assembly Plant Number 1. This plant is ranked as the most productive vehicle assembly plant in North America, according to Harbour and Associates.
  - De Beers is continuing to invest in the Victor diamond project in the James Bay lowlands.
  - ICT Group Inc. has opened a new customer contact centre in Lindsay.
  - Futaba Industrial Co., Ltd. of Japan will manufacture auto parts at a new factory in Stratford.
  - Bowater Inc. has announced plans to construct a new softwood sawmill in Thunder Bay.
  - StarTek Inc. has opened a second facility in Kingston providing outsourced process management services.

Fair and Efficient Financial Regulation

Ontario will continue with actions to maintain a modern financial regulation framework that promotes fairness and efficiency. Sound financial regulation must ensure investor protection, while promoting a healthy and competitive financial services sector and contributing to a positive business climate.

- To ensure confidence in its financial markets, Ontario strengthened the Ontario Securities Commission's (OSC) enforcement capabilities. Continuous disclosure standards have been improved and sound corporate governance has been promoted. Continuing this progress, the Five-year Review Committee of Ontario Securities Laws has just released for consultation its draft report, which contains far-reaching recommendations on a wide variety of securities regulatory matters.
- To improve stock and bond market efficiency, the OSC has introduced rules that govern, and allow, broader use of new technology for trading. New technologies can lower trading costs for investors and companies and can make trading more transparent to all. Five new Alternative Trading Systems have started doing business in Ontario.
- The government will respond to plans by the credit union system to become more efficient and provide better service to their members on a national basis. It will also undertake a review of Ontario's liquidity requirements for credit unions in order to determine if any changes are required.
- The government is completing consultations on the merger of the Financial Services Commission of Ontario (FSCO), which regulates insurance, pension plans, loan and trust companies, credit unions, mortgage brokers and co-operative corporations, with the Ontario Securities Commission. This would better serve and protect consumers, investors, pension plan members and industry participants.
- The government intends to introduce pension surplus reforms that would further improve the regulatory climate in Ontario and provide employers and plan members with more flexibility to negotiate pension surplus sharing agreements. The proposed amendments to the *Pension Benefits Act* (PBA), based on a Consultation Paper released in 2001, will be discussed with stakeholders.
- In response to concerns raised by pension plan administrators, plan members and employers, the government will discuss with stakeholders ways to facilitate the transfer of accrued pensions between pension plans where groups of employees transfer between employers. The government will propose amendments to the PBA to implement this initiative.
- The government has been consulting on changes to the current automobile insurance system to enhance fairness and balance and improve its effectiveness. The government intends to introduce reforms that would improve the system for consumers and other participants.

Ontario is committed to making it easier for small business to raise capital:

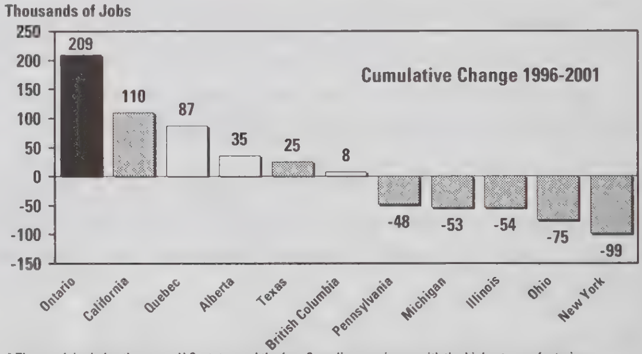
- Small business taxes have been cut to help companies grow, while capital gains taxes have been cut to encourage investment.
- The OSC has simplified private placement exemptions to facilitate more investment in small businesses without compromising investor protection.
- The TSX Venture Exchange is introducing its Capital Pool Company Program to Ontario. This lets smaller Ontario companies raise money in public markets earlier than would be possible with a conventional initial public offering (IPO) of shares.

Ontario—Manufacturing Job Growth Leader in North America

Ontario has a highly competitive and diverse manufacturing sector. Over the 1996 to 2001 period, it created 209,000 jobs—more than any other province or any U.S. state. During the global economic slowdown in 2001, Ontario's manufacturing employment slipped slightly, in contrast to continued sharp declines in the United States. So far this year, the manufacturing sector has contributed greatly to the resurgence in Ontario job growth, while U.S. manufacturing employment has fallen further. According to the latest Canadian manufacturing business conditions survey, inventories are under control, orders are picking up and production is expected to increase.

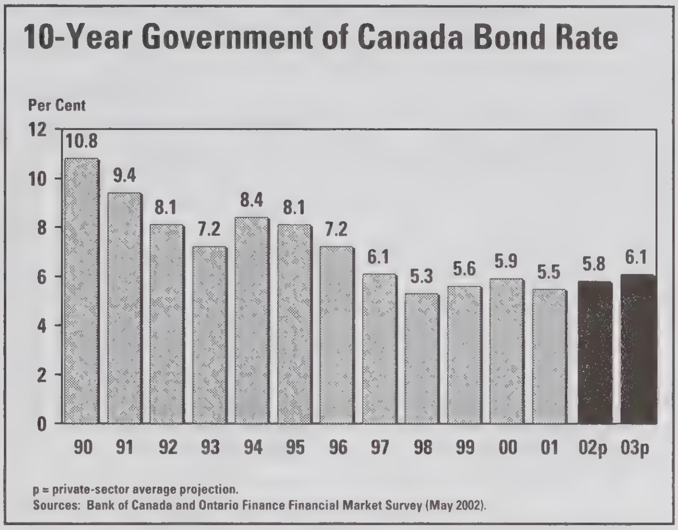
- Manufacturing job growth over the 1996 to 2001 period was widespread across industries, including auto parts (+40,000 jobs); computers and electronic equipment (+38,000 jobs); furniture (+22,000 jobs); and machinery (+21,000 jobs).
- During the economic slowdown in 2001, Ontario manufacturing employment slipped by 1.0 per cent, or 11,000 jobs, compared to a 4.2 per cent drop (778,000 jobs) in the United States.
- Since September 2001, Ontario continues to lead all Canadian provinces and U.S. states, with a gain of 24,000 net new manufacturing jobs. U.S. manufacturing lost 649,000 jobs over the same period.
  - Motor vehicle assembly and parts contributed to Ontario's job gains. Auto sector employment has substantially recovered, reflecting healthy North American auto sales, although concerns still persist.

Six-Year Change in Manufacturing Employment Leading U.S. States and Canadian Provinces*



* The graph includes the seven U.S. states and the four Canadian provinces with the highest manufacturing employment. These jurisdictions are ranked in order of manufacturing employment creation during 1996 to 2001. Employment is measured by the annual average level.
Sources: Statistics Canada, U.S. Bureau of Labor Statistics and Ontario Ministry of Finance.

Low Interest Rates Support Growth



The Bank of Canada and the U.S. Federal Reserve cut interest rates dramatically in 2001 to near historic lows in response to weakening economic conditions. The recent strength of the economy prompted the Bank of Canada to raise interest rates a quarter of a percentage point in mid-April and again in early June, modestly reducing the amount of monetary stimulus in the economy. Interest rates are expected to increase gradually through the rest of this year and into 2003 as evidence of firmer economic growth is sustained. However, interest rates are expected to stay low by historical standards, and monetary policy should continue to promote economic growth.

In order to develop cautious projections of Public Debt Interest, a prudence factor has been added to the average private-sector forecast of interest rates. The interest on three-month Government of Canada treasury bills is assumed to be 50 basis points higher than the average private-sector forecast. The interest rate on 10-year Government of Canada bonds is assumed to be 40 basis points higher than the average private-sector forecast.

Interest Rate Assumptions
(Average Per Cent)

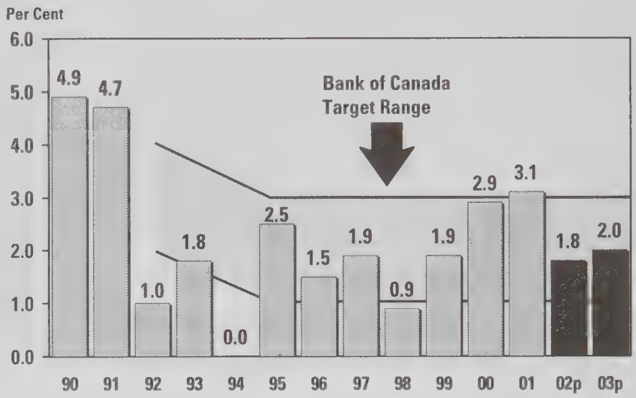
	2001	2002 Jan-May	2002 Jun-Dec	2003
3-month Government of Canada treasury bills				
Private-sector survey average	**3.8**	**2.3**	3.0	4.1
Ontario's assumption			3.5	4.6
10-year Government of Canada bonds				
Private-sector survey average	**5.5**	**5.5**	5.9	6.1
Ontario's assumption			6.3	6.5

Sources: Bank of Canada, Ontario Ministry of Finance and Ontario Finance Financial Market Survey (May 2002).

Inflation Falling

The Ontario CPI inflation rate is expected to drop sharply in 2002, falling to 1.8 per cent on average, down from 3.1 per cent in 2001. For 2003, inflation is projected to average 2.0 per cent, at the middle of the Bank of Canada's target range of 1 to 3 per cent.

Ontario Consumer Price Inflation



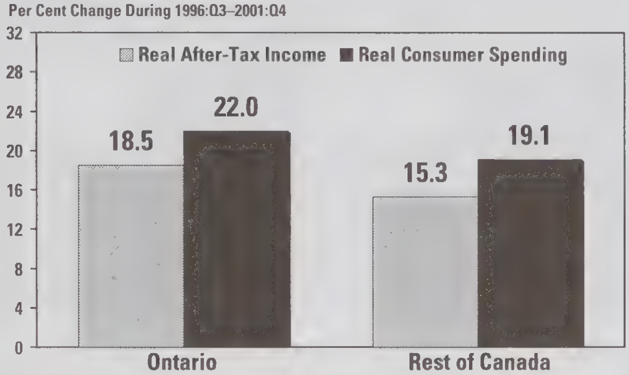
p = projection.
Sources: Bank of Canada, Statistics Canada and Ontario Ministry of Finance.

- Ontario's CPI inflation rate was 0.8 per cent in May 2002.
- The annual average inflation rate in 2001 was 3.1 per cent for Ontario, up from 2.9 per cent in 2000. Increased gasoline and natural gas prices lifted the inflation rate during the past two years. Ontario's core inflation rate (excluding the impact of energy and food prices) averaged 2.0 per cent during the 2000 and 2001 period.
- Since late 2000, energy prices have trended down. Crude oil prices (using West Texas Intermediate as the benchmark) have fallen from $34.40 US a barrel in November 2000 to between $24 US and $26 US recently. Heightened tensions in the Middle East pushed up oil prices in early 2002. Private-sector forecasters expect oil prices to stabilize near $25 US in 2003. Natural gas prices (based on the Alberta reference price) dropped from $11.21 per gigajoule in January 2001 to $3.23 in March 2002.

Strong Consumer Spending to Continue

The strength of consumer spending was the mainstay of the economy in 2001. Rising employment, higher after-tax income and low interest rates are expected to sustain confidence and boost spending further during 2002 and 2003.

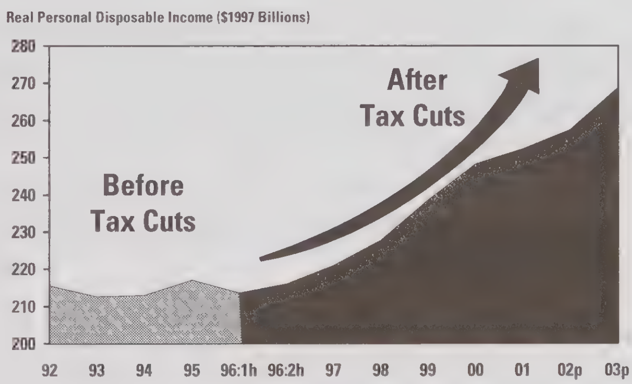
Spending and Incomes Rising Faster in Ontario



Sources: Statistics Canada and Ontario Ministry of Finance.

- From the second quarter of 1996, when Ontario income tax cuts began, to the fourth quarter of 2001, Ontario real disposable income increased by 18.5 per cent, stronger than the 15.3 per cent pace for the rest of Canada.
- During the same period, Ontario real consumption increased by 22.0 per cent, ahead of the 19.1 per cent rise recorded in the rest of Canada.
- Real consumption rose 2.2 per cent in 2001, with a burst of spending on durable goods in the final quarter of the year.
- Consumer spending growth is expected to accelerate to 2.7 per cent in 2002 and 3.5 per cent in 2003.
- Higher consumer spending will be supported by an increase in after-tax income and the positive wealth effect of higher house prices. The continuing increase in disposable income will be supported by solid employment growth.

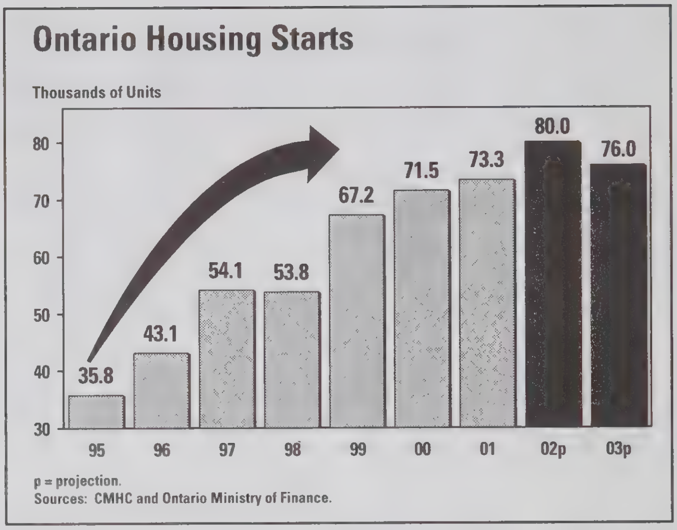
Tax Cuts Boost Real Take-Home Pay



p = projection, h = half.
Sources: Statistics Canada and Ontario Ministry of Finance.

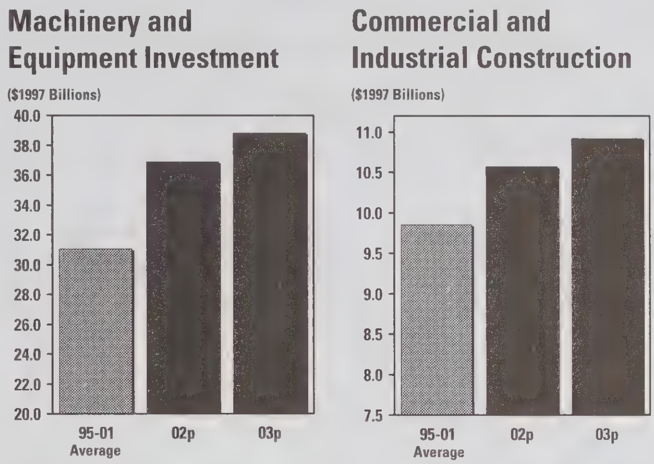
Housing Outlook Bright

The housing market remained very healthy in 2001. It is expected to remain strong throughout 2002 and 2003. Ontario housing remains affordable, a reflection of rising after-tax income and low mortgage rates.



- Ontario all-area housing starts are projected to reach 80,000 in 2002, the highest level in 13 years. In 2003, housing starts are expected to remain strong, at 76,000 units.
- Real residential construction spending in Ontario is projected to rise by 6.5 per cent in 2002, and an additional 2.8 per cent in 2003. The Land Transfer Tax (LTT) rebate for first-time buyers of new homes will continue to bolster housing purchases and the construction industry.
- Posted five-year mortgage rates offered by major financial institutions were 7.40 per cent in mid-June 2002, down from a peak of 8.75 per cent in May 2000.
- Although house prices and mortgage rates have increased in response to strong demand, housing remains much more affordable than it was in the early 1990s. The monthly carrying cost for an average-priced home in Ontario was $1,063 last year, compared to a peak of $1,489 in 1990. Despite the anticipated rise in mortgage rates and further gains in house prices, housing is expected to remain affordable. Carrying costs as a share of average household take-home pay are projected to be 23 per cent in 2002, down from 35 per cent in 1990.

Investment Expected to Strengthen by 2003



p = projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

The market conditions needed to support stronger business investment are in place. A steady flow of new orders has boosted production, pushing capacity utilization rates higher. Renewed growth in corporate profits is expected in 2003. Financing conditions remain favourable, with internally generated funds available for investment on the upswing and interest rates low.

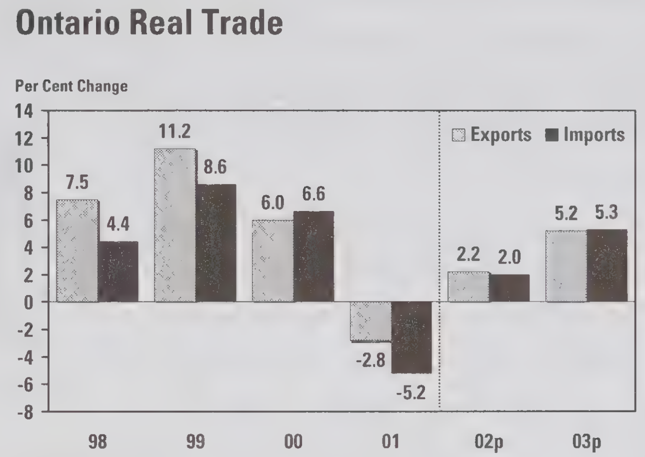
Ontario's machinery and equipment investment flourished from 1995 to 2000, almost doubling in real terms. Real investment in commercial and industrial construction rose by about 35 per cent over the same period. After reaching a record level in 2000, business investment expenditures on plant and equipment declined in 2001, reflecting weakness in machinery and equipment investment, particularly for high-tech items. As growth in the economy picks up, businesses are anticipated to boost investment spending.

- Real machinery and equipment investment is expected to ease in 2002, slipping a further 0.6 per cent. As economic activity strengthens, firms are expected to increase spending on productivity-enhancing machinery and equipment, with real investment rising by 5.3 per cent in 2003.
- Real spending on commercial and industrial construction projects is projected to increase by 0.8 per cent in 2002 and 3.3 per cent in 2003.
- Locally owned and global companies continue to recognize Ontario's prime investment location and competitive advantages. A favourable tax climate, a skilled workforce and strong long-term economic prospects are prompting firms to increase investment. A number of firms have announced or undertaken major investment projects.
  - Apotex Inc. is expanding its pharmaceutical operations at its three facilities in the Greater Toronto Area.
  - Canadian Pacific Railway expanded its transportation capacity at its Vaughan inter-modal facility.
  - DaimlerChrysler will build its Chrysler Pacifica vehicle at the Windsor assembly plant.

- Trus Joist Weyerhaeuser is nearing completion of its Timber Strand plant that will manufacture engineered wood products in Kenora.
- North American Palladium has expanded its mine at Lac des Iles, north of Thunder Bay.
- NuComm International has opened a customer contact centre in Owen Sound.
- CPI Plastics Group opened a plant in Mississauga manufacturing plastic wood decking systems.
- Modatek Systems is investing in a new facility in Milton manufacturing truck frames and chassis.

Ontario's Export Markets Improve

Strong domestic demand supported by Ontario's tax cuts will be reinforced by growing international trade. Exports by Ontario businesses are expected to rebound in 2002 and 2003, driven by strong manufacturing competitiveness and a recovery in the economic performance of the United States, our major trading partner.



p = projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

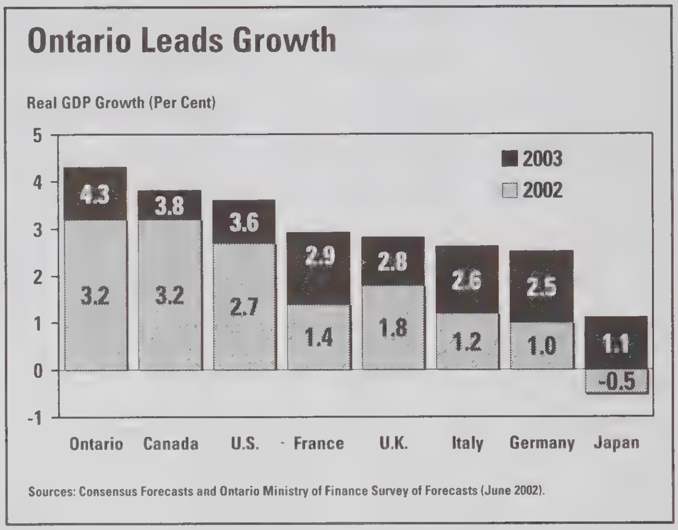
After posting weak growth in the second half of 2001, the U.S. economy has begun to recover, recording real GDP growth of 5.6 per cent at annual rates in the first quarter of 2002. In the first quarter of 2002, exports of autos and parts increased by 2.4 per cent from the previous quarter, while machinery and equipment exports were up 3.1 per cent. According to private-sector forecasts, strong U.S. growth is expected to continue throughout the rest of the year and accelerate in 2003, with real GDP rising a projected 2.7 per cent in 2002 and 3.6 per cent in 2003.

Forecasters expect the Canadian dollar to gradually appreciate during the next two years, reaching 67 cents US by the end of 2003. This is not anticipated to adversely affect Ontario's exports. At the current exchange rate of between 65 and 66 cents US, Ontario industry is extremely competitive internationally. The Organization for Economic Co-operation and Development (OECD) estimates the purchasing power parity value of the Canadian dollar at 83 cents US in 2001.

Conclusion

Private-sector forecasters, on average, expect the Ontario economy to grow by 3.2 per cent in 2002 and 4.3 per cent in 2003, once again faster than any of the G-7 nations over this two-year period.

Ontario has been the leader in cutting taxes and in economic growth in Canada. Over the 1996 to 2001 period, the Ontario economy, on average, grew by a full percentage point faster than the economy of the rest of Canada. According to private-sector forecasters, Ontario growth is again expected to outpace growth in the rest of Canada over the 2002 to 2003 period.



Tax and fiscal policies undertaken since 1995 have focused on creating the conditions to increase growth and raise living standards on a sustained long-term basis. The economic fundamentals in Ontario are sound. The economy is competitive, inflation and interest rates are low, real disposable incomes are rising, and consumer and business confidence are high.

PAPER A
Appendix

Ontario Economic Assumptions

The following tables provide further details about the Ontario Ministry of Finance economic projection.

The Ontario Economy, 2000 to 2003
(Per Cent Change)

	Actual		Projected	
	2000	**2001**	**2002**	**2003**
Real Gross Domestic Product	**5.3**	**1.0**	**3.1**	**4.2**
Personal consumption	4.1	2.2	2.7	3.5
Residential construction	5.0	2.5	6.5	2.8
Non-residential construction	-5.2	-0.2	0.8	3.3
Machinery and equipment	12.1	-4.5	-0.6	5.3
Exports	6.0	-2.8	2.2	5.2
Imports	6.6	-5.2	2.0	5.3
Nominal Gross Domestic Product	**5.9**	**2.4**	3.5	6.0
Other Economic Indicators				
Retail sales	7.3	2.6	5.2	5.3
Housing starts (000s)	71.5	73.3	80.0	76.0
Personal income	6.4	3.6	3.2	5.4
Corporate profits	5.8	-12.8	0.0	14.7
Ontario Consumer Price Index	2.9	3.1	1.8	2.0
Labour Market				
Employment	3.2	1.5	1.5-2.0	2.5-3.0
Unemployment rate (per cent)	5.7	6.3	6.5-6.8	6.0-6.5

Sources: Statistics Canada and Ontario Ministry of Finance.

The following table shows the sensitivity of the fiscal balance to the direct impact of lower interest rates on Public Debt Interest and the impact of stronger economic growth on revenues and expenditures.

Impact of Changes in Economic Assumptions on the Ontario Surplus
($ Millions)

	Full Year 2002-03
100 Basis Points Lower Canadian Interest Rates	80
1 Percentage Point Higher Real GDP Growth	590

Note: These responses would hold "on average" and could vary significantly depending on the composition of change in income and expenditures.

Source: Ontario Ministry of Finance.

PAPER B

Ontario's Fiscal Plan

Introduction

Ontario's fiscal position has weathered the global economic slowdown in 2001. As a result of the government's economic and fiscal policies and its prudent and cautious approach to budgeting, the Province recorded a $58 million surplus for 2001-02.

Despite the economic slowdown in 2001, Ontario made a contribution of $127 million to debt reduction during the 2001-02 fiscal year. Combined with reductions of $1.0 billion in 1999-2000 and $3.1 billion in 2000-01, Net Provincial Debt has been reduced by $4.2 billion over the past three years, an amount representing almost 85 per cent of the government's $5 billion debt-reduction commitment for the current term of office.

Since 1995, the government has focused on its core businesses, while strengthening its role in providing regulatory oversight.

This paper reviews the following:

Section I: Interim Results for 2001-02

Section II: Ontario's 2002-03 Fiscal Plan

Section III: Ontario's Capital Plan

Section IV: Medium-Term Outlook

Section V: More Efficient, Effective and Accountable Government

Section I: Interim Results for 2001-02

Third Consecutive Surplus

In 1999-2000 Ontario recorded a $668 million surplus, balancing the budget one full year ahead of the schedule laid out in the government's Balanced Budget Plan. With a $3,325 million surplus in 2000-01 and an interim surplus of $58 million for 2001-02, Ontario has now achieved three consecutive budget surpluses for the first time in nearly 100 years.

2001-02 In-Year Fiscal Performance
($ Millions)

	Budget Plan	Interim	In-Year Change
Revenue	64,270	63,463	(807)
Expenditure			
Programs	52,011	52,413	402
Capital	1,944	1,850	(94)
Public Debt Interest			
Provincial	8,795	8,553	(242)
Electricity Sector	520	520	-
Total Expenditure	63,270	63,336	66
Less: Reserve	1,000	-	(1,000)
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	140	(69)	(209)
Surplus / (Deficit)	**140**	**58**	**(82)**

* Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.
Source: Ontario Ministry of Finance.

- Revenue was $807 million below the level projected in the 2001 Budget Plan, mainly due to the impact of slower-than-expected economic growth on taxation revenues.
- Total expenditure was $66 million above the level projected in the 2001 Budget Plan mainly due to increased in-year spending for hospitals, partially offset by lower Public Debt Interest charges and underspending in various areas.
- Ontario's 2001 Budget Plan included a $1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. With economic growth slower than projected and consistent with the role of the reserve in prudent budgeting, the $1 billion reserve was allocated to ensure the balanced budget target was met in 2001-02.

Treatment of Canada Customs and Revenue Agency Processing Error

On January 29, 2002, the Canada Customs and Revenue Agency (CCRA, formerly Revenue Canada) announced that its processing methods dating back to 1972 had resulted in errors in the calculation of provincial Personal Income Tax (PIT). Specifically, when capital gains became taxable, the provincial portion of capital gains refunds paid to mutual fund trusts was not properly deducted from the PIT amounts remitted to provinces. The extent of the federal error has been reported only for the years 1993 through 1999, and for those years the CCRA has indicated that a total of $3.4 billion was overpaid to all provinces, including $2.8 billion for Ontario.

The CCRA collects and administers the PIT of all provinces, except Quebec, under the provisions of a Tax Collection Agreement (TCA) signed with each province. Under the terms of the TCA, the federal government is solely responsible for determining Ontario's PIT revenue for each taxation year, based on the information it collects through its tax administration system. Ontario does not have access to the detailed information needed to determine if PIT revenues are being accounted for properly and must rely on the Auditor General of Canada and the federal Minister of Finance to verify that appropriate federal accounting and processing systems are in place to ensure that Provincial tax revenues are correct.

Treatment of Error in Past Years

The federal government has not requested any repayments of amounts that the CCRA now believes were paid in error up to 1999. The governments of Ontario and the other provinces expect that the federal government will not request repayment given that it is exclusively responsible for the error that has now been reported. Accordingly, the past revenue totals for Ontario reported in this Budget have not been restated.

Treatment of Error in Future Years

Ontario's position is that the federal government can only correct their error in administering PIT from January 29, 2002 onwards—the date on which the CCRA informed Ontario and the other provinces of its error. However, in this Budget, for the sake of prudent fiscal planning, Ontario PIT revenue estimates from 2001-02 onwards are reported net of capital gains refunds to mutual fund trusts.

Federal Transfers to the Provinces

Federal transfers to the provinces under the Equalization program and the Canada Health and Social Transfer (CHST) could also be affected by the CCRA error. The impact on transfers is the result of complex funding formulas for these programs that include estimates of provincial revenue and tax bases. The federal government has not indicated whether it intends to make adjustments to transfer payments as a result of correcting the CCRA error.

Although Ontario does not receive Equalization transfers from the federal government, Ontario believes that Equalization and CHST transfers, like the error itself, should only be adjusted for periods after January 29, 2002, on a going-forward basis.

Going Forward: Improving Accountability in the Personal Income Tax System

The Tax Collection Agreements were first negotiated in 1962. The recent discovery of the PIT error illustrates beyond dispute that the federal government's collection of Personal Income Tax is not sufficiently accountable to the provinces. The federal government is currently renegotiating the Tax Collection Agreements to address the new tax on income system. In these negotiations, Ontario has insisted that strong and specific accountability provisions be enshrined in any new agreement. As a first step, the Canada Customs and Revenue Agency must be directly accountable to the Ministers of Finance of all provinces for which it collects tax.

2001-02 Revenue Performance

Total revenue in 2001-02 was $63,463 million, $807 million below the 2001 Budget projection. Taxation revenues, adversely affected by the economic slowdown in the latter half of 2001, were $1,268 million below projection. Income from Government Enterprises fell below the 2001 Budget forecast, while payments from the Government of Canada and Other Revenues were higher than expected.

Summary of In-Year Changes to Revenue in 2001-02
($ Millions)

		Interim 2001-02
Taxation Revenue		
Personal Income Tax	1,185	
Retail Sales Tax	(587)	
Corporations Tax	(1,650)	
Employer Health Tax	(102)	
Gasoline and Fuel Taxes	(130)	
All Other	16	
		(1,268)
Government of Canada		
Canada Health and Social Transfer	201	
Young Offenders Act	64	
All Other	160	
		425
Income from Government Enterprises		
Ontario Lottery and Gaming Corporation	226	
Ontario Power Generation Inc. and Hydro One Inc.	(345)	
All Other	13	
		(106)
Other Revenue		
Sales and Rentals	286	
Local Services Realignment—Reimbursement of Expenditure	(98)	
All Other	(46)	
		142
Total In-Year Revenue Changes		**(807)**

Source: Ontario Ministry of Finance.

- Personal Income Tax (PIT) revenues were $1,185 million above the 2001 Budget projection. Of this increase, $1,050 million was due to a higher estimate of 2000-01 PIT revenues than reported in the 2000-01 Public Accounts. Under Public Sector Accounting Board (PSAB) guidelines, the difference between the current estimate for 2000-01 and the Public Accounts estimate is recorded in 2001-02.
- Lower business spending, a run-down of inventories and weakness in consumer spending following the tragic events of September 11 in the United States resulted in Retail Sales Tax revenues falling $587 million below the amount projected in the 2001 Budget.
- Corporations Tax revenues were $1,650 million below forecast because of significantly lower pre-tax corporate profits than projected in the 2001 Budget. The revenue impact of lower profits was exacerbated by lower corporate capital gains, increasing loan loss provisions, and a sharp rise in loss carry-backs.
- A moderation in employment and wage gains in 2001 and a shift in the composition of job creation towards small business resulted in a $102 million shortfall in Employer Health Tax revenues. Small businesses do not pay Employer Health Tax premiums if their combined payroll is below $400,000 annually.
- Gasoline and Fuel Taxes fell a combined $130 million below the 2001 Budget projection as a result of reduced travel, lower exports and slower domestic economic growth following the tragic events of September 11 in the United States.
- All other taxes were a combined $16 million above the 2001 Budget forecast, largely due to the increase in Tobacco Taxes that resulted from the federal tax increase announced on November 1, 2001.
- Canada Health and Social Transfer (CHST) payments were $201 million above the 2001 Budget forecast. This was mainly due to Ontario representing a lower-than-expected share of the estimated Canada-wide 2001 Personal Income Tax base, which resulted in Ontario receiving a higher-than-expected share of the fixed amount of federal CHST funding.
- A one-time retroactive payment in respect of 2000-01 under the recently re-negotiated Young Offenders Agreement increased 2001-02 revenues by $64 million.
- Other Federal Payments were $160 million higher than expected mainly due to increased federal support for the farm sector.
- Ontario Lottery and Gaming Corporation (OLGC) net income was $226 million above the 2001 Budget projection due to both higher revenues and lower-than-budgeted expenses.
- The combined revenue from Hydro One Inc. and Ontario Power Generation Inc. (OPG) was $345 million below the Budget forecast, primarily due to lower-than-expected net income from OPG. Higher costs associated with OPG's program to return to service and upgrade the Pickering "A" nuclear station, higher fossil fuel prices, higher purchase costs for power needed to meet record peak electricity demand in the summer of 2001, and restructuring charges all lowered OPG net income.

- Sales and Rentals revenues were $286 million higher than the 2001 Budget projection. This was mainly due to new revenues related to the Province's assumption of responsibility for GO Transit as of January 1, 2002. These revenues fully offset higher related Provincial operating and capital expenditures in 2001-02.
- Local Services Realignment revenue for all reimbursable expenditures on behalf of municipalities was a combined $98 million lower than estimated in the 2001 Budget. This was mainly due to the earlier-than-planned transfer of non-profit housing to municipalities, which resulted in lower reimbursable expenditures by the Ontario Government and therefore lower reimbursement revenues.

2001-02 In-Year Operating Expenditure Changes

Operating expenditure for 2001-02 at $61,486 million was up $160 million from the 2001 Budget forecast of $61,326 million. The rise in spending was mainly due to increased funding in-year for hospitals, higher pension expenditures and the revised expenditure impact of some consolidated government organizations, partially offset by underspending in other areas.

Summary of In-Year Operating Expenditure Changes in 2001-02
($ Millions)

	Interim 2001-02
Program Expenditure Changes:	
Agriculture Sector Support—extraordinary one-time costs	328
Hospitals—increased funding	291
Teachers' Pension Plan—revised estimate of expenditure	233
Retirement Benefits—revised estimate of expenditure	138
GO Transit—assumption of Provincial responsibility for GO Transit	124
Social Housing—earlier-than-planned transfer of non-profit housing to municipalities	(77)
Student Support Program—impact of reduced student demand	(93)
Northern Ontario Heritage Fund Corporation—reclassification of expenditure from operating to capital	(97)
Other (Net)	(445)
Total Program Expenditure Changes	**402**
Public Debt Interest	**(242)**
Total In-Year Operating Expenditure Changes	**160**

Source: Ontario Ministry of Finance.

- Extraordinary one-time costs in the Ministry of Agriculture and Food increased expenditure in-year by $328 million, mainly due to higher-than-expected crop insurance payments to farmers resulting from poor weather conditions, as well as payments to producers facing depressed market prices. These extraordinary costs were partially offset by $191 million in higher revenue, mainly from reinsurance recoveries and the federal government.
- Funding for the operation of hospitals across the province increased by $291 million in-year to address the changing and rising costs of caring for patients.
- Teachers' Pension Plan expenditure increased in-year by $233 million mainly due to the implementation of new Public Sector Accounting Board (PSAB) recommendations on pension accounting and changes in actuarial assumptions to better reflect the plan's experience.

- Retirement Benefits expenditure increased in-year by $138 million mainly due to a one-time adjustment in the pension liability related to the movement of staff over a number of years from the Ontario Public Service Employees' Union (OPSEU) Pension Plan to the Public Service Pension Plan. The corresponding decrease in OPSEU Pension Plan liability was reflected in prior years' Retirement Benefits expenditure.
- The Province assumed responsibility for GO Transit on January 1, 2002. This increased operating expenditure in-year by $124 million, reflecting one-time costs arising from the consolidation of GO Transit and ongoing GO Transit operating expenditures. These expenditures were fully offset by revenues.
- Expenditures for social housing decreased in-year by $77 million as a result of an earlier-than-planned transfer of non-profit housing to Municipal Service Managers. This reduction in expenditures was offset by a corresponding decrease in Local Services Realignment revenue.
- Reduced student demand, lower interest rates and recent changes to the way the government delivers the Student Support Program in the post-secondary education sector, including income and credit verification processes, as well as reduced defaults on student loans, have resulted in savings in-year of $93 million.
- Northern Ontario Heritage Fund Corporation (NOHFC) operating expenditure declined by $97 million in-year as a result of the reclassification and transfer of NOHFC expenditure from operating to capital. This reclassification was made to better reflect NOHFC's investments in northern infrastructure.
- Public Debt Interest costs were down $242 million from the 2001 Budget Plan projection of $9,315 million due to lower-than-expected interest rates and cost-effective debt management.

2001-02 In-Year Capital Expenditure Changes

Capital expenditure in 2001-02 at $1,850 million was down $94 million from the 2001 Budget Plan, largely as a result of underspending in Municipal Partnership Initiatives and other areas, partially offset by increased capital expenditure as a result of the assumption of Provincial responsibility for GO Transit and the reclassification and transfer of Northern Ontario Heritage Fund Corporation expenditures from operating to capital.

Summary of In-Year Capital Expenditure Changes in 2001-02
($ Millions)

	Interim 2001-02
GO Transit—assumption of Provincial responsibility for GO Transit	173
Northern Ontario Heritage Fund Corporation—net impact of the reclassification of expenditure from operating to capital and lower-than-expected expenditure	53
Municipal Partnerships Initiatives—lower-than-expected expenditures	(171)
Highways	(52)
Other (Net)	(97)
Total In-Year Capital Expenditure Changes	**(94)**

Source: Ontario Ministry of Finance.

- The Province assumed responsibility for GO Transit on January 1, 2002, increasing capital expenditures in-year by $173 million, reflecting one-time costs arising from the consolidation of GO Transit and ongoing GO Transit capital expenditures. These expenditures were fully offset by revenues.
- Northern Ontario Heritage Fund Corporation (NOHFC) capital expenditure increased by a net $53 million in-year as a result of the reclassification and transfer of $97 million in spending from operating to capital expenditure, partially offset by lower-than-planned NOHFC expenditures during the fiscal year. This reclassification was made to better reflect NOHFC's investments in northern infrastructure.
- Spending on Municipal Partnerships Initiatives (Millennium Partnerships, Ontario Small Town and Rural Development [OSTAR], and Sports, Culture and Tourism Partnerships) was $171 million less than planned due to unanticipated delays in formalizing multi-government approvals and finalizing contract agreements for municipal infrastructure projects.
- More rapid than expected completion of a number of highway projects, reflected in the 2000-01 Public Accounts, reduced 2001-02 expenditures in-year by $52 million.

Section II: Ontario's 2002-03 Fiscal Plan

Fourth Consecutive Balanced Budget

Ontario is on track for a balanced budget in 2002-03. With surpluses recorded in each of the past three years, the Province's budget will be balanced for the fourth year in a row.

2002-03 Fiscal Plan
($ Millions)

	Interim 2001-02	Plan 2002-03	Change $ Millions	Change Per Cent
Revenue	63,463	66,544	3,081	4.9
Expenditure				
Programs	52,413	54,384	1,971	3.8
Gross Capital Expenditure	1,850	2,713	863	46.6
Less: Net Investment in Capital Assets*	-	634	634	-
Public Debt Interest				
Provincial	8,553	8,550	(3)	-
Electricity Sector	520	520	-	-
Total Expenditure	63,336	65,533	2,197	3.5
Less: Reserve	-	1,000	1,000	-
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(69)	(11)	58	(84.1)
Surplus / (Deficit)	**58**	**0**	**(58)**	**-**

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

Source: Ontario Ministry of Finance.

- Total expenditure in 2002-03 is projected at $65,533 million, up $2,197 million from the 2001-02 level of $63,336 million, mainly due to increased health care and education spending in 2002-03.
- A reserve of $1 billion has been included in the 2002-03 fiscal plan to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

2002-03 Revenue Outlook

Revenue in 2002-03 is projected at $66,544 million, $3,081 million or 4.9 per cent above the interim level recorded in 2001-02.

Revenue
($ Millions)

	Actual 2000-01	Interim 2001-02	Plan 2002-03
Taxation Revenue			
Personal Income Tax	18,624	19,195	19,085
Retail Sales Tax	13,735	13,753	14,230
Corporations Tax	9,200	6,690	6,150
All Other Taxes	7,723	7,914	8,895
Total Taxation Revenue	49,282	47,552	48,360
Government of Canada	6,129	7,784	8,190
Income from Government Enterprises	4,000	3,318	3,743
Other Revenue	5,271	4,809	6,251
Total Revenue	**64,682**	**63,463**	**66,544**

Source: Ontario Ministry of Finance.

- Personal Income Tax (PIT) revenue is expected to decline slightly in 2002-03. This reflects the inclusion in 2001-02 revenues of $1,050 million in one-time revenue due to higher 2000-01 PIT revenue than estimated in the 2000-01 Public Accounts. The full-year benefit to taxpayers of the tax cuts implemented on October 1, 2001 also dampens short-term PIT revenue growth.

- The expected rebound in consumer spending following the 2001 economic slowdown will boost Retail Sales Tax revenues in 2002-03.

- Corporations Tax revenues are expected to decline in 2002-03. The decline in revenues reflects continuing weakness in corporate profits and the full-year impact of the tax actions effective October 1, 2001. With pre-tax corporate profits expected to be flat in 2002, there is very little growth in the corporate tax base assumed for 2002-03.

- Revenue from all other taxation revenue sources is expected to rise sharply in 2002, primarily due to higher Tobacco Taxes.

- In 2002-03, transfers from the Government of Canada are expected to increase by $406 million over 2001-02. This is mainly due to an expected increase of $597 million in Canada Health and Social Transfer (CHST) payments. Other federal transfers are forecast to decline $191 million in 2002-03.

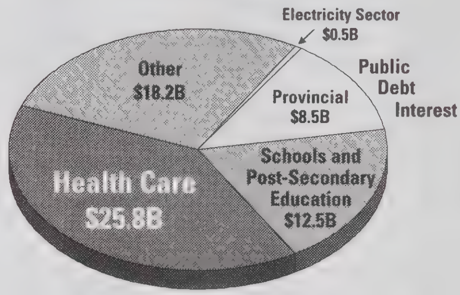
- Income from Government Enterprises is projected to increase in 2002-03 largely due to the improved net income of Ontario Power Generation Inc.
- Other Revenue is expected to increase in 2002-03. This is mainly due to higher Sales and Rentals revenue anticipated from the commercialization of government enterprises. The increase in Other Revenues is dampened by a decline in Local Services Realignment revenues arising mostly from the continued devolution of social housing to municipalities.

2002-03 Expenditure Outlook

The government's 2002-03 expenditure plan continues to focus on priority sectors, including health care and education, while improving efficiency and effectiveness in the delivery of government services.

- In 2002-03, total health care funding including both program and capital expenditures will be $25.8 billion, an increase of over $1.7 billion from the 2001-02 total of $24.1 billion.

Support for Priority Programs, 2002-03
Total Expenditure: $65.5 Billion



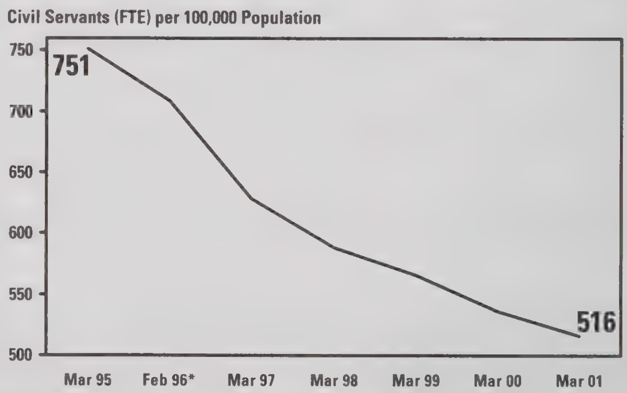
Source: Ontario Ministry of Finance.

- Provincial spending on schools and post-secondary education will be $12.5 billion in 2002-03. This total includes $8.3 billion for the School Board Operating Grant, the Provincial component of school board funding; $2.5 billion in grants for colleges and universities; and $1.7 billion for other programs, including training programs and support for students in post-secondary education, as well as Provincial expenditure related to the Teachers' Pension Plan.
- Details of ministry expenditure for programs and capital for 2002-03 and prior years can be found in the Financial Tables and Graphs at the end of this Paper.

Reducing the Size of Government

- Since 1995, the number of people directly employed by the Government of Ontario has declined from over 81,000 to about 60,000 as of March 2001.
- Over the same period, Ontario's population has increased by eight per cent.
- With improvements in the efficiency and effectiveness of government services in Ontario, the number of civil servants per 100,000 residents has declined from 751 in 1995 to 516 in 2001.

Reducing the Size of Government



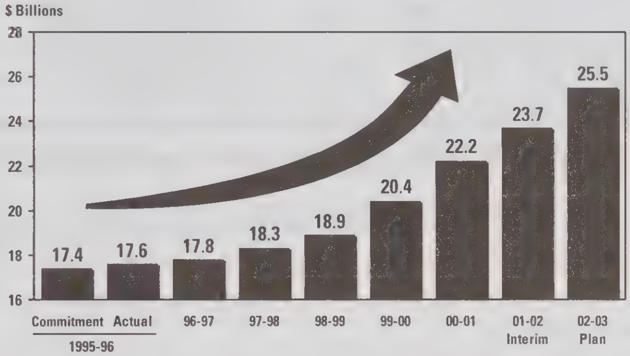
* March data not available.
Sources: Management Board Secretariat and Statistics Canada.

Ontario's Commitment to Health Care

The government has continued to increase Ontario's base operating spending on health care every year since it assumed office. Between 1994-95 and 2001-02, health base operating spending increased by $6.1 billion. This year, additional funding of over $1.7 billion has been allocated, bringing total health base operating spending to $25.5 billion in 2002-03.

- In 1999, the government made a commitment to increase spending on health care to $22.7 billion by 2003-04. This commitment was exceeded by $1 billion in 2001-02, a full two years ahead of schedule.

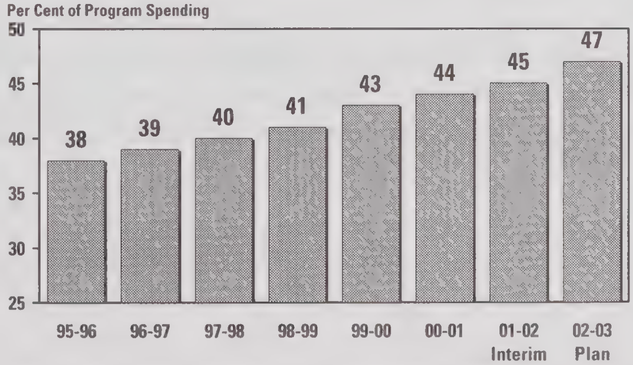
Health Base Operating Spending Increases



Note: Ministry of Health and Long-Term Care base operating spending excludes capital, restructuring and major one-time costs.
Source: Ontario Ministry of Finance.

- While higher expenditures reflect the government's commitment to ensuring quality health care for all Ontarians, health care spending is consuming an increasing share of government spending capacity.
- In 1995-96, base health care operating spending made up 38 per cent of government program expenditures (excluding capital and Public Debt Interest). Health care's share grew to 45 per cent in 2001-02 and will increase to 47 per cent in 2002-03.

Health Care Commitment Grows



Note: Ministry of Health and Long-Term Care base operating spending excludes capital, restructuring and major one-time costs.
Source: Ontario Ministry of Finance.

Increased Funding for Health Care Exceeding CHST Commitment

Ontario and all provinces and territories have called on the federal government to restore funding through the Canada Health and Social Transfer (CHST) and to do more to help maintain quality health care. All provinces and territories have called on the federal government to commit to paying, at a minimum, 18 per cent of the nation's bill for health and other social programs, the same level the federal government paid before it started cutting transfers in 1994-95.

Currently the federal government is contributing only 14 cents of every dollar spent by the provinces and territories. If the federal government increased funding for health care to 18 cents on the dollar, Ontario would receive an additional $2 billion in 2002-03.

Ministry of Health and Long-Term Care Spending: Selected Years
($ Millions)

	Actual 1994-95	Interim 2001-02	Plan 2002-03	Change from Interim
Base Operating*	17,599	23,709	25,452	1,743
Gross Capital Expenditure	249	203	342	139
Total	17,848	23,912	25,794	1,882
Increase in Base Operating since 1994-95		**6,110**	**7,853**	
Increase in Total since 1994-95		**6,064**	**7,946**	

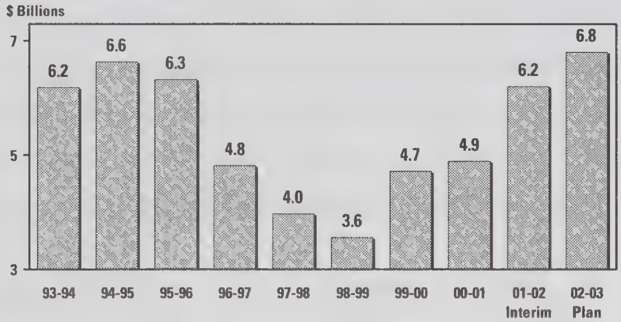
* 2001-02 operating spending excludes Major One-Time Operating Costs of $190 million for medical equipment.
Source: Ontario Ministry of Finance.

- Since 1995-96, and including planned investments in 2002-03, the government has invested more than $2.8 billion to build new hospitals, expand and modernize hospitals in communities across Ontario, and support community health infrastructure.

CHST Funding Only Now Returning to 1994-95 Level

- Starting in 1994-95, federal Canada Health and Social Transfer (CHST) payments to Ontario began a steady decline, dropping to as low as $3.6 billion in 1998-99, down more than $3 billion from $6.6 billion in 1994-95. Federal CHST transfers have been increasing over the last number of years but only in 2002-03 will CHST transfers to Ontario approximate their 1994-95 levels.
- Since 1994-95, Ontario's total base health care spending for operating and capital has increased by $7,946 million as compared to almost no growth in federal CHST transfers.

Ontario's Canada Health and Social Transfer (CHST) Payments

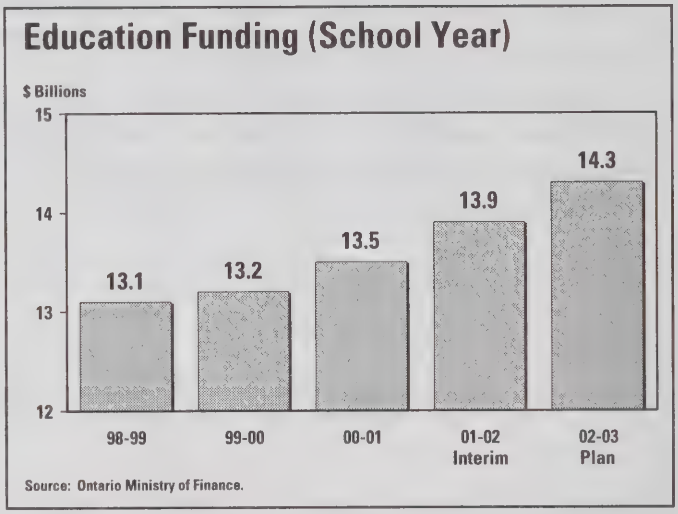


Note: For 1993-94 to 1995-96, includes Canada Assistance Plan (CAP) and Established Programs Financing (EPF) transfers. Both programs were replaced by the CHST in 1996-97.
Source: Ontario Ministry of Finance.

Ensuring Funding for Quality Education

The government is committed to a strong, publicly funded primary and secondary education system that focuses on continuous improvement in student learning, teacher excellence and accountability. To this end, the government has been making record investments in education and funding new education initiatives to ensure that all students in Ontario have the resources they need to reach their full potential.

In 1998, the government changed the way education is funded and introduced the Student-Focused Funding Model to ensure that a fair and equitable level of funding is provided for all students, regardless of where they live in Ontario. Since 1998, overall annual education funding available to school boards has increased by more than $1 billion.



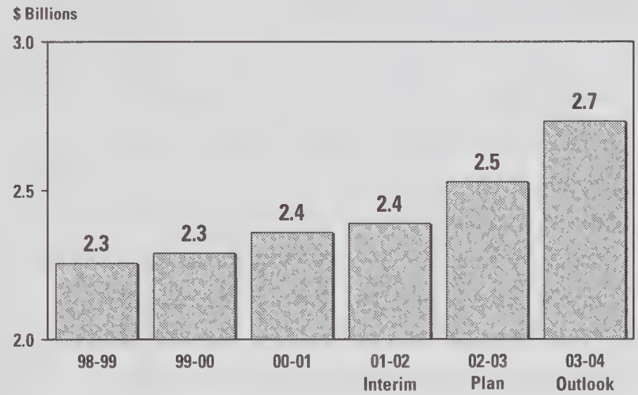
- In Ontario, primary and secondary education is financed through a combination of direct transfers from the Province and education property tax revenues. On a fiscal year basis, the Province's direct transfers to school boards have increased from $7.4 billion in 1998-99 to $8.3 billion in 2002-03.
- For the 2002-03 school year, funding available to the public education system in the form of direct transfers from the Province and education property tax revenues will rise to a record investment of $14.3 billion, an increase of almost $400 million over the 2001-02 funding level.

Ensuring Accessibility and Affordability in Post-Secondary Education

The government continues to take action to ensure that willing and qualified Ontario students will have a place in the Province's post-secondary education system.

In the 2001 Budget, the government made a commitment to increase operating grants to colleges and universities by $293 million by 2003-04 to address anticipated enrolment increases in the post-secondary education sector as a result of secondary-school reform, population growth and a larger portion of the population pursuing a post-secondary education.

Operating Grants to Colleges and Universities



Source: Ontario Ministry of Finance.

- Based on revised enrolment projections, the government is increasing its operating grant commitment. The Province will provide an additional $75 million, bringing last year's multi-year commitment to $368 million in 2003-04. The government is committed to providing full average cost funding for enrolment growth for our colleges and universities.
- Increased operating grants for post-secondary institutions are in addition to significant capital investments made by the Province through SuperBuild. In 1999-2000, the Province invested over $1 billion to expand and modernize post-secondary facilities. Combined with partner contributions, the total investment of $1.8 billion will create more than 73,000 new student spaces, the largest capital investment in post-secondary education in more than 30 years.
- The government is introducing the second phase of the Ontario Student Opportunity Trust Fund to assist academically qualified individuals to pursue post-secondary education. Over the coming year, the Ministry of Training, Colleges and Universities will consult with the post-secondary sector on program design.
- The government is also introducing changes to the post-secondary education sector to enable it to respond to the needs of students and employers. These changes include the introduction of a new bill for colleges of applied arts and technology, the establishment of the University of Ontario Institute of Technology, the provision of degree-granting status for the Ontario College of Art, and enhancements to the Ontario Educational Communications Authority (TVOntario).

Ontario's Commitment to the Environment

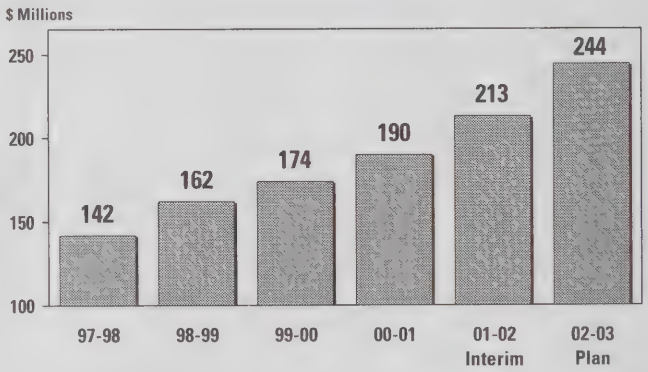
The government is taking action to ensure a safe and clean environment for the residents of Ontario. Between 1997-98 and 2002-03, operating expenditures for environmental programs within the Ministry of the Environment and Energy have increased by over 70 per cent, bringing total operating expenditures to $244 million in 2002-03.

Across a number of ministries, the Province will invest over $500 million in operating and capital expenditure in the next three years, including $245 million in 2002-03, for initiatives to support clean water programs and infrastructure.

Investing in Clean Water

- As part of Operation Clean Water, $18 million has been allocated to implement the tough new water regulations introduced in 2000. An additional $13 million will be provided in 2002-03 in order to take significant steps in addressing Justice O'Connor's recommendations in *Part One: Report of the Walkerton Inquiry*, including the doubling of inspectors and strengthening municipal water systems inspections.

Environment Operating Spending



Source: Ontario Ministry of Finance.

- A new investment of $10 million in 2002-03 will be made to begin work on implementing the recommendations of *Part Two: Report of the Walkerton Inquiry.*
- The Province will make a capital investment of $5 million in 2002-03 for groundwater assessment studies to support the development of source water protection plans, bringing the total investment under this initiative to $15 million.
- A new investment of $4 million in environmental and water monitoring equipment will modernize the scientific testing capacity at the Ministry of Environment and Energy.

Investing in Water and Wastewater Infrastructure

- Since 1995-96, the Province has invested more than $650 million in municipal water and wastewater systems. In 2002-03, the Province will make capital investments of $174 million to upgrade municipal water and wastewater systems through SuperBuild's Ontario Small Town and Rural Development (OSTAR) and Millennium Partnerships initiatives.

- Ontario provided $18 million in 2001-02, and will provide an additional $18 million in 2002-03 to upgrade waterworks serving parks and designated provincial facilities, including schools, nursing homes and daycare facilities.

Support for Health Care, the Ontario Trillium Foundation and Communities

Provincial proceeds from gaming activities continue to support provincial priorities, including the operation of hospitals, charities, communities and the agricultural sector.

Support for Health Care, Charities and Problem Gambling Programs
($ Millions)

	Interim 2001-02	Plan 2002-03
Lotteries, Charity Casinos and Slot Machines at Racetracks Revenue		
Operation of Hospitals	1,380	1,450
Ontario Trillium Foundation	100	100
Problem Gambling and Related Programs	21	29
Commercial Casinos Revenue		
General Government Priorities	725	721
Total	**2,226**	**2,300**

Source: Ministry of the Attorney General.

Revenue from Lotteries, Charity Casinos and Slot Machines at Racetracks

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net provincial revenue generated from lotteries, charity casinos and racetrack slot machines support services such as the operation of hospitals, problem gambling and related programs, and funding for charitable organizations through the Ontario Trillium Foundation.

- In 2002-03, it is estimated that $1,450 million net revenue from lotteries, charity casinos and slot machines at racetracks will be applied to support the operation of hospitals.
- The Ontario Trillium Foundation has become one of Canada's largest grant-making foundations. In 2002-03, the Ontario Trillium Foundation will be provided with $100 million to help build healthy and strong communities by contributing to charitable and not-for-profit organizations.
- Two per cent of gross slot-machine revenue, estimated at $29 million for 2002-03, is allocated to programs that support problem gambling and related treatment, prevention and research programs.

Benefits from Commercial Casinos

- In 2002-03, net provincial revenue from commercial casinos, estimated at $721 million, will be used to support general government priorities including health care, education, justice and social programs.
- Since the commencement of commercial casino operations, 27,000 direct and indirect jobs have been created in Ontario. Commercial casino operations, and the additional tourists they attract, contribute an estimated $2.4 billion annually to the Ontario economy.

Other Beneficiaries of Charity Casinos and Slot Machines at Racetracks

Support for the Agricultural Sector and Municipalities
($ Millions)

	Interim 2001-02	Plan 2002-03
Agricultural Sector	258	276
Municipalities	58	63
Total	**316**	**339**

Source: Ministry of the Attorney General.

- Twenty per cent of gross revenue from slot machines at racetracks is provided to promote economic growth in the horse-racing industry. Since 1998, this initiative has preserved and enhanced 45,000 jobs in Ontario's horse-racing industry, providing over $540 million to a key component of the Province's agricultural sector. For 2002-03, additional support is estimated at $276 million.
- A portion of gross slot-machine revenue estimated at $63 million in 2002-03 will be provided to municipalities that host charity casinos and slot operations at racetracks, including funding to help offset any additional local infrastructure and service costs.

Section III: Ontario's Capital Plan

SuperBuild Capital Investment Plan for 2002-03

The Ontario SuperBuild Corporation is responsible for the strategic management of the government's capital investment plan, including investments in the Province's own assets and transfers for capital purposes to hospitals, municipalities and post-secondary educational institutions. In 2002-03, SuperBuild will invest over $2.7 billion in Ontario's infrastructure.

Gross Capital Investments
($ Millions)

		Plan 2002-03
Transportation		1,320
Highways	1,023	
Transit	193	
Other Transportation	104	
Health and Long-Term Care		342
Post-Secondary Education		69
Environment and Natural Resources		283
Justice		143
Sports, Culture and Tourism		135
Other (Net)		421
Total Gross Capital Investment		**2,713**

Note: Total gross capital investment includes $225 million in federal flow-through funds: $30 million for Transportation, $2 million for Post-Secondary Education, $84 million for Environment and Natural Resources, $57 million for Sports, Culture and Tourism, and $52 million for Other Capital. SuperBuild's gross capital investment excluding flow-through of federal funds is $2.5 billion.

Source: Ontario Ministry of Finance.

- Through the Ministry of Transportation and the Ministry of Northern Development and Mines, the Province will invest over $1 billion in highways in 2002-03. The Province will also provide $193 million in transit assistance through the Transit Investment Plan, which includes GO Transit, inter-regional transit through Golden Horseshoe Transit Investment Partnerships (GTIP)/Transit Investment Partnerships (TIP), and renewal of municipal transit systems through the Transit Renewal Program. An additional $104 million will support municipal road infrastructure, including investments through the Connecting Links program, the Ontario Small Town and Rural Development (OSTAR) and Millennium Partnerships initiatives, and other transportation infrastructure such as necessary ferry repairs and remote airport upgrades.
- The Ministry of Health and Long-Term Care will increase capital investment in hospitals and other health initiatives by almost 70 per cent in 2002-03 to a total of $342 million. This will enable hospitals and other health care providers to continue to modernize, upgrade and expand their infrastructure and services across the province.

- The Province is investing $69 million in post-secondary education this year. With this funding and SuperBuild's capital investment of $1 billion in 1999-2000, universities and colleges will be better able to address enrolment growth and the impact of secondary-school reform. This funding includes the first year of a new five-year $50 million program to enable colleges to acquire more up-to-date equipment and learning resources.

- Investment for environmental purposes will increase significantly in 2002-03 to $283 million, mainly due to the implementation of Ontario Small Town and Rural Development (OSTAR) infrastructure projects related to water and sewers. These projects will help municipalities comply with the new Ontario Drinking Water Protection Regulation and make other improvements to their water and wastewater systems.

- Investment in the justice sector is expected to be $143 million in 2002-03. This investment will enable the continued renewal and construction of court and jail infrastructure.

- The Ministry of Culture and the Ministry of Tourism and Recreation will invest $135 million for the Sports, Culture and Tourism Partnerships (SCTP) initiative and for projects to improve and modernize cultural and tourism facilities.

- The capital plan includes other initiatives totalling $421 million, including an allowance to fulfill a Provincial obligation with respect to a 1994 transaction involving SkyDome. Steps will be taken to minimize the Province's residual financial exposure related to this transaction.

$520 Million for Municipalities

- SuperBuild continues to make investments in Municipal Partnerships Initiatives. Of the $2.7 billion SuperBuild plans to invest in 2002-03, $520 million will flow through municipal infrastructure programs including the Toronto Waterfront Revitalization, Millennium Partnerships strategic infrastructure projects in major urban areas, the capital portion of the OSTAR initiative, the SCTP initiative, the GTIP/TIP (inter-regional transit) program, and the Transit Renewal Program. This amount includes $202 million of federal flow-through transfers.

Section IV: Medium-Term Outlook

Consistent with the *Balanced Budget Act, 1999*, Ontario's medium-term forecast is projecting a balanced budget for 2003-04.

Medium-Term Fiscal Outlook
($ Billions)

	Actual 2000-01	Interim 2001-02	Plan 2002-03	Forecast 2003-04
Revenue	64.7	63.5	66.5	68.3
Expenditure				
Programs	50.1	52.4	54.4	56.1
Gross Capital Expenditure	2.1	1.8	2.7	2.8
Less: Net Investment in Capital Assets*	-	-	0.6	0.5
Public Debt Interest				
Provincial	8.9	8.6	8.5	8.4
Electricity Sector	0.5	0.5	0.5	0.5
Total Expenditure	61.6	63.3	65.5	67.3
Less: Reserve	-	-	1.0	1.0
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	0.2	(0.1)	0.0	0.3
Surplus / (Deficit)	**3.3**	**0.1**	**0.0**	**0.3**

Note: Numbers may not add due to rounding.
* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.
** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.
Source: Ontario Ministry of Finance.

- The projected balanced budget for 2003-04 includes a $1 billion reserve to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

Section V: More Efficient, Effective and Accountable Government

Restoring Public Trust

In 1995, the government initiated the process of restoring public trust in the finances of Ontario by convening the Ontario Financial Review Commission (OFRC).

The Commissioners provided a far-reaching vision of a more open and accountable government and this government acted to restore confidence and credibility in the way taxpayer dollars are managed.

Since 1995, some of the significant actions taken by the government include:

- Introduction of annual ministry business plans that outline the core activities of the ministry, set performance goals each year and report on the results;
- Adoption of the Public Sector Accounting Board recommendations in the preparation of the Budget and Quarterly Finances; and
- Passage of the *Taxpayer Protection Act* and the *Balanced Budget Act*, of 1999.

These actions have dramatically improved the management of public resources, creating a legacy of constant improvement in performance. Credible, prudent fiscal plans are the right foundation upon which to plan for the future.

Planning for the Future

Last year, the government announced a multi-year commitment to help colleges and universities deal with enrolment growth caused by secondary-school reform, population growth and a larger proportion of the population pursuing post-secondary education. That step enabled post-secondary education institutions to plan for the future, knowing that the funding they need would be available.

The government is now working to provide the same kind of stability for school boards and hospitals. Multi-year commitments on base funding would allow these organizations to better plan programs and address staffing needs and other requirements over a more reasonable time horizon.

Over the next year, the Ministry of Finance, along with affected ministries, will consult with key stakeholders to develop multi-year base funding.

These consultations will be aimed at implementing the commitment to introduce three-year base funding for hospitals and school boards, while continuing to work with colleges and universities to address this issue. Several issues relating to a multi-year funding environment must be addressed during the consultation process. For example,

- The principle of fiscal responsibility is fundamental to discussion of multi-year funding. The government has enshrined the fundamentals of balanced budgets and taxpayer protection in legislation. Multi-year funding commitments should be made within a sustainable fiscal context—it is the key to the long-term sustainability of public services.
- Multi-year funding arrangements should be open and transparent. A model of multi-year base funding should be based on information that is reliable, readily available and verifiable.
- Multi-year funding should be addressed in a way that enhances accountability. Multi-year funding should not lead to several years of the status quo—with the ability to plan for the future comes the obligation to demonstrate better results.
- Multi-year funding arrangements should be implemented in a way that enhances understanding of the results of spending and incorporates information on results in the decision-making process.
- To provide certainty, multi-year funding commitments should be credible. To be credible, multi-year funding commitments should identify and manage the potential risks that exist. Risk management should be a shared responsibility between the government and its partners in the broader public sector.

Commitments on multi-year funding have important implications for the government-wide fiscal plan and budget cycle.

- Beginning next year, the government will shift its budget cycle to deliver budgets before the start of the fiscal year. This will help all public-sector organizations, from ministries to school boards to hospitals, plan with more certainty.
- The Ministry of Finance will work towards publishing a multi-year fiscal framework in the Ontario Budget outlining revenue, expenditures and economic projections. As with multi-year base funding agreements, this framework will be developed in accordance with sound fiscal management principles including responsibility and transparency.

These issues are crucial to the stability of the public services Ontarians depend on—and to the health of the Province's finances. They must be considered carefully and consultations will be informed by the experiences and practices of other jurisdictions pursuing similar reforms.

Improving Accounting Practices

Implementing better accounting and reporting practices means providing more accurate and relevant information to decision-makers and the public. The government will continue to pursue improvements to its accounting practices to foster more efficient, effective and business-like management of public resources, such as the treatment of services that are provided on a cost-recovery basis.

In addition, the government will proceed with two accounting improvements, which both the OFRC and Provincial Auditor Erik Peters have called for:

- The government will adopt a more business-like approach in its treatment of major tangible capital assets, consistent with Generally Accepted Accounting Principles and the approach taken in other jurisdictions, such as Nova Scotia. This change means that the investment in major tangible capital assets owned by the Province will be amortized over the useful life of the asset. For example, investments in highways will be spread out over the useful life of the highway, which averages 30 years. These changes will effectively remove a portion of the yearly capital investment from the government's Income Statement and replace it with an amortization expense. The government is taking a phased-in approach and will be reporting on land, buildings and transportation infrastructure initially. No change has been made to accounting for capital transfer payments as the assets of transfer payment recipients are not owned by the Province.
- The government will introduce legislative amendments to convert legislative spending authority and appropriation control to the accrual basis of accounting, effective April 1, 2003. This would put all of the government's books on the same basis of accounting, providing for more transparency, especially for Members of the Legislature and the public.

All of these proposals build on a strong record of fiscal and financial management practices towards a vision of open and accountable government.

Conclusion

The interim results for 2001-02 demonstrate that Ontario's finances continue to be managed well. Even with an economic slowdown in 2001, the government's cautious and prudent approach to budgeting has resulted in a third consecutive surplus for the first time in nearly 100 years. A fourth consecutive balanced budget is projected for 2002-03.

Over the last three years Net Provincial Debt has been reduced by $4.2 billion, or almost 85 per cent of the government's $5 billion debt-reduction commitment for the current term of office.

The government's commitment to responsible budgeting and its record of setting and achieving realistic goals and targets has helped to build a solid foundation of balanced budgets and secure finances.

LIST OF FINANCIAL TABLES AND GRAPHS

Financial Tables — Table Numbers

Graphs

Statement of Financial Transactions — Table B1

($ Millions)

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Interim 2001-02	Plan 2002-03
Revenue	55,786	62,931	64,682	63,463	66,544
Expenditure					
Programs	46,557	47,525	50,062	52,413	54,384
Gross Capital Expenditure	2,215	4,887	2,123	1,850	2,713
Less: Net Investment in Capital Assets*	-	-	-	-	634
Public Debt Interest					
Provincial	9,016	8,977	8,896	8,553	8,550
Electricity Sector	-	520	520	520	520
Total Expenditure	57,788	61,909	61,601	63,336	65,533
Less: Reserve	-	-	-	-	1,000
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	-	(354)	244	(69)	(11)
Surplus / (Deficit)	**(2,002)**	**668**	**3,325**	**58**	**0**
Net Provincial Debt* **	**114,737**	**113,715**	**110,634**	**110,507**	**110,496**

Note: 1998-99 to 2000-01 programs and gross capital expenditure totals restated to reflect reclassification of Northern Ontario Heritage Fund Corporation expenditure from operating to capital.

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

*** The definition of Net Provincial Debt for 2002-03 has been adjusted to include the Net Investment in Capital Assets. For all other years, Net Provincial Debt represents total Liabilities less Financial Assets.

Revenue **Table B2**
($ Millions)

	Actual 1998-99	Actual 1999-00	Actual 2000-01	Interim 2001-02	Plan 2002-03
Taxation Revenue					
Personal Income Tax	17,190	17,617	18,624	19,195	19,085
Retail Sales Tax	11,651	12,879	13,735	13,753	14,230
Corporations Tax	7,447	8,095	9,200	6,690	6,150
Employer Health Tax	2,882	3,118	3,424	3,518	3,695
Gasoline Tax	2,068	2,154	2,172	2,184	2,260
Fuel Tax	592	665	648	641	655
Tobacco Tax	447	481	504	671	1,325
Land Transfer Tax	470	565	642	675	735
Other Taxation	330	307	333	225	225
	43,077	**45,881**	**49,282**	**47,552**	**48,360**
Government of Canada					
Canada Health and Social Transfer (CHST)	3,553	4,722	4,895	6,211	6,808
Social Housing	358	466	541	528	530
Student Assistance	64	170	40	31	64
Medical Equipment Trust	-	-	190	190	-
Indian Welfare Services	155	85	131	123	127
Young Offenders Act	57	58	1	119	61
Bilingualism Development	55	65	64	64	64
Employability Assistance for People with Disabilities	71	65	63	68	33
Infrastructure	71	19	2	11	225
Other	131	235	202	439	278
	4,515	**5,885**	**6,129**	**7,784**	**8,190**
Income from Government Enterprises					
Ontario Lottery and Gaming Corporation	1,764	1,924	2,181	2,226	2,300
Liquor Control Board of Ontario	809	845	877	905	954
Ontario Power Generation Inc. and Hydro One Inc.	-	903	928	179	480
Other	(26)	36	14	8	9
	2,547	**3,708**	**4,000**	**3,318**	**3,743**
Other Revenue					
Vehicle and Driver Registration Fees	890	911	929	936	963
Other Fees and Licences	661	667	660	657	692
Liquor Licence Revenue	519	539	525	524	515
Royalties	289	345	235	242	237
Sales and Rentals	640	2,133	637	586	2,424
Independent Electricity Market Operation Revenue	-	314	344	137	160
Local Services Realignment - Reimbursement of Expenditure	2,109	1,678	1,432	1,125	751
Miscellaneous	539	870	509	602	509
	5,647	**7,457**	**5,271**	**4,809**	**6,251**
Total Revenue	**55,786**	**62,931**	**64,682**	**63,463**	**66,544**

Operating Expenditure

Table B3

($ Millions)

Ministry	Actual 1998-99	Actual 1999-00	Actual 2000-01	Interim 2001-02	Plan 2002-03
Agriculture and Food*	309	347	401	464	572
One-Time and Extraordinary Costs	-	-	233	328	-
Attorney General*	753	846	957	981	966
Board of Internal Economy	117	154	116	113	117
Citizenship	82	95	77	75	69
Community, Family and Children's Services	7,659	7,512	7,620	7,780	7,814
Consumer and Business Services	136	134	155	175	171
Culture	192	214	236	271	277
Education	7,719	7,704	7,961	8,429	8,746
Phase-in Funding	-	268	-	-	-
Teachers' Pension Plan (TPP)	67	(363)	(779)	3	149
Enterprise, Opportunity and Innovation	147	192	204	225	264
Environment and Energy	185	503	531	344	363
Executive Offices	17	19	21	21	21
Finance—Own Account*	998	548	842	749	802
Public Debt Interest					
Provincial	9,016	8,977	8,896	8,553	8,550
Electricity Sector	-	520	520	520	520
Community Reinvestment Fund	678	521	561	557	582
Provision for Electricity Sector	-	383	408	-	-
Health and Long-Term Care	18,867	20,373	22,184	23,709	25,452
Health Care Restructuring	50	-	-	-	-
Major One-Time Health Care Costs	639	286	487	190	-
Intergovernmental Affairs	4	4	4	5	4
Labour	108	101	104	113	114
Management Board Secretariat	353	147	214	386	230
Retirement Benefits	(219)	(165)	(209)	168	(42)
Contingency Fund	-	-	-	-	861
OPS Employee Severance (Net)	-	88	-	(17)	-
Special Circumstances Fund	180	-	-	-	-
Municipal Affairs and Housing*	1,611	1,665	1,792	1,129	688
Native Affairs Secretariat	12	15	16	14	15
Natural Resources	531	460	417	433	413
Northern Development and Mines**	54	67	69	79	77
Office of Francophone Affairs	3	3	4	5	3
Public Safety and Security	1,296	1,379	1,500	1,603	1,530
Tourism and Recreation*	94	153	124	143	133
Training, Colleges and Universities	3,281	3,285	3,219	3,257	3,521
Transportation	634	587	593	681	772
Year-End Savings	-	-	-	-	(300)
Total Operating Expenditure	**55,573**	**57,022**	**59,478**	**61,486**	**63,454**

* Preliminary allocations and historical restatements pending finalization of new ministry structures. All other ministries have been restated to reflect recently announced government structure.

** Reflects Northern Ontario Heritage Fund Corporation expenditure reclassified from operating to capital.

Gross Capital Expenditure **Table B4**
($ Millions)

Ministry	Actual 1998-99	Actual 1999-00	Actual 2000-01	Interim 2001-02	Plan 2002-03
Agriculture and Food*	1	1	1	29	197
Attorney General*	73	62	42	46	51
Community, Family and Children's Services	27	20	14	32	27
Consumer and Business Services	-	-	-	-	1
Culture	-	72	18	9	10
Education	229	52	4	15	10
Enterprise, Opportunity and Innovation	273	500	-	18	39
Environment and Energy	19	157	91	58	85
Water Protection Fund	15	160	17	1	3
Finance—Own Account*	4	7	7	11	24
SuperBuild Millennium Partnerships	-	-	4	-	110
Contingency Fund	-	-	-	-	100
Health and Long-Term Care	187	338	182	203	342
Major One-Time Capital Costs	-	1,004	140	-	-
Management Board Secretariat	39	13	24	29	46
Municipal Affairs and Housing*	62	(10)	-	3	4
Native Affairs Secretariat	13	7	5	3	6
Natural Resources	73	96	65	70	80
Northern Development and Mines†	205	267	356	379	376
Public Safety and Security	30	124	99	89	92
Tourism and Recreation*	2	159	14	12	125
Training, Colleges and Universities	71	1,028	204	52	67
Transportation	892	830	836	791	1,018
Year-End Savings	-	-	-	-	(100)
Total Gross Capital Expenditure**	**2,215**	**4,887**	**2,123**	**1,850**	**2,713**
Less: Net Investment in Capital Assets***	-	-	-	-	634
Net Capital Expenditure	2,215	4,887	2,123	1,850	2,079

* Preliminary allocations and historical restatements pending finalization of new ministry structures. All other ministries have been restated to reflect recently announced government structure.

** Gross Capital Expenditure includes the following: i) acquisition or construction of major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) and other tangible capital assets; ii) repairs and maintenance; and iii) transfers for capital purposes. Total gross capital expenditure includes $225 million in federal flow-through funds. Gross capital investment excluding flow-though of federal funds is $2.5 billion.

*** Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

† Reflects Northern Ontario Heritage Fund Corporation expenditure reclassified from operating to capital.

Schedule of Net Investment in Capital Assets — **Table B5**

($ Millions)

	Plan 2002-03
Acquisition/Construction of Major Tangible Capital Assets	1,367
Amortization of Provincially Owned Major Tangible Capital Assets	(733)
Net Investment in Capital Assets*	**634**

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

Transfers for Capital Purposes (Included in Gross Capital Expenditure) **Table B6**
($ Millions)

Ministry	Plan 2002-03
Agriculture and Food*	197
Community, Family and Children's Services	27
Culture	6
Enterprise, Opportunity and Innovation	39
Environment and Energy	6
Water Protection Fund	3
Finance—Own Account*	-
SuperBuild Millennium Partnerships	110
Health and Long-Term Care	303
Municipal Affairs and Housing*	1
Native Affairs Secretariat	6
Northern Development and Mines	100
Tourism and Recreation*	117
Training, Colleges and Universities	65
Transportation	108
Total Transfers for Capital Purposes	**1,088**

* Preliminary allocations pending finalization of new ministry structures.

Ten-Year Review of Selected Financial and Economic Statistics
($ Millions)

	1993-94	1994-95	1995-96
Financial Transactions			
Revenue	43,674	46,039	49,473
Expenditure			
Programs	44,195	44,505	46,163
Gross Capital Expenditure	3,552	3,831	3,635
Less: Net Investment in Capital Assets*	-	-	-
Public Debt Interest			
Provincial	7,129	7,832	8,475
Electricity Sector	-	-	-
Total Expenditure	54,876	56,168	58,273
Less: Reserve	-	-	-
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	-	-	-
Surplus / (Deficit)	**(11,202)**	**(10,129)**	**(8,800)**
Net Provincial Debt* **	**80,599**	**90,728**	**101,864**
Gross Domestic Product (GDP) at Market Prices	293,980	311,603	329,855
Personal Income	256,092	260,628	271,372
Population—July (000s)	10,690	10,828	10,965
Net Provincial Debt per Capita (dollars)	7,540	8,379	9,290
Personal Income per Capita (dollars)	23,956	24,070	24,749
Total Expenditure as a per cent of GDP	18.7	18.0	17.7
Public Debt Interest as a per cent of Revenue†	16.3	17.0	17.1
Net Provincial Debt as a per cent of GDP	27.4	29.1	30.9

Note: 1998-99 to 2000-01 programs and gross capital expenditure totals restated to reflect reclassification of Northern Ontario Heritage Fund Corporation expenditure from operating to capital.

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

*** The definition of Net Provincial Debt for 2002-03 has been adjusted to include the Net Investment in Capital Assets. For all other years, Net Provincial Debt represents total Liabilities less Financial Assets.

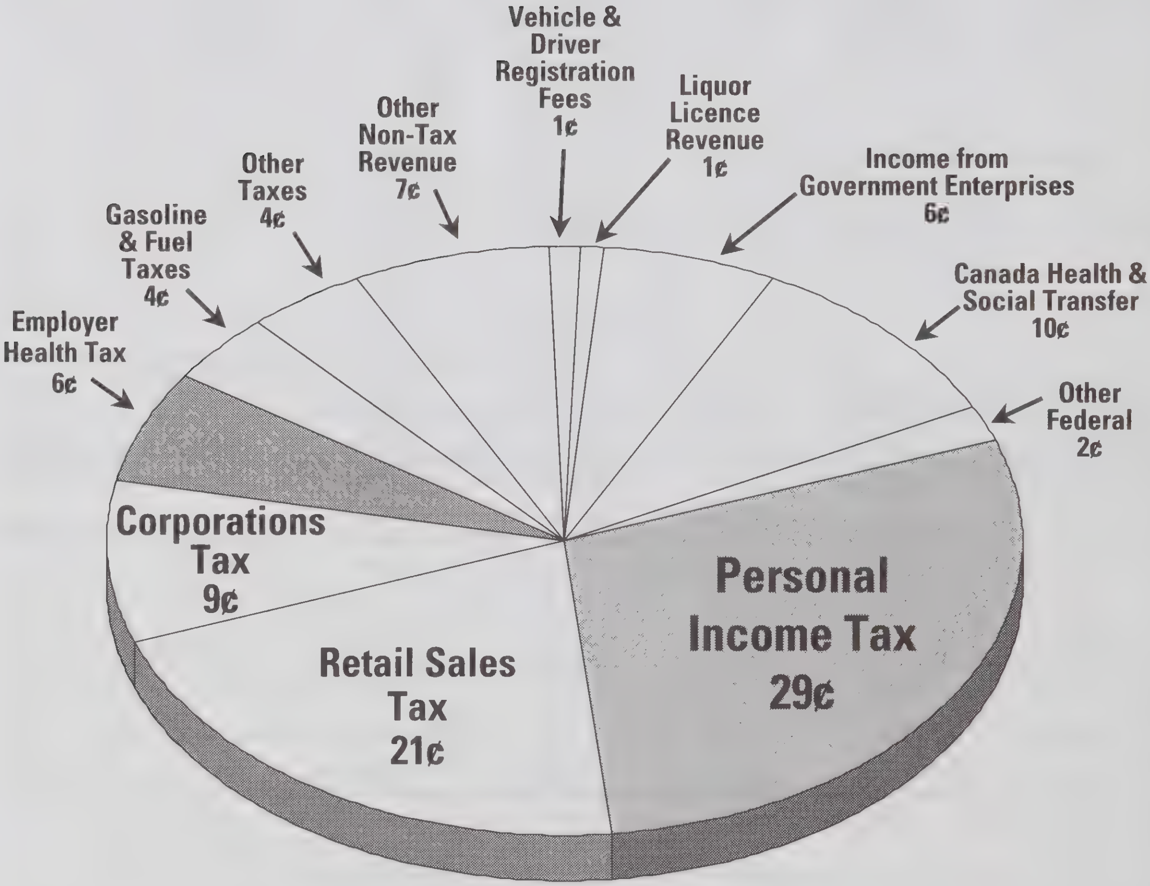
† Starting in 1999-2000, Public Debt Interest includes $520 million related to the Province's equity investment in the electricity sector.

Sources: Ontario Ministry of Finance and Statistics Canada.

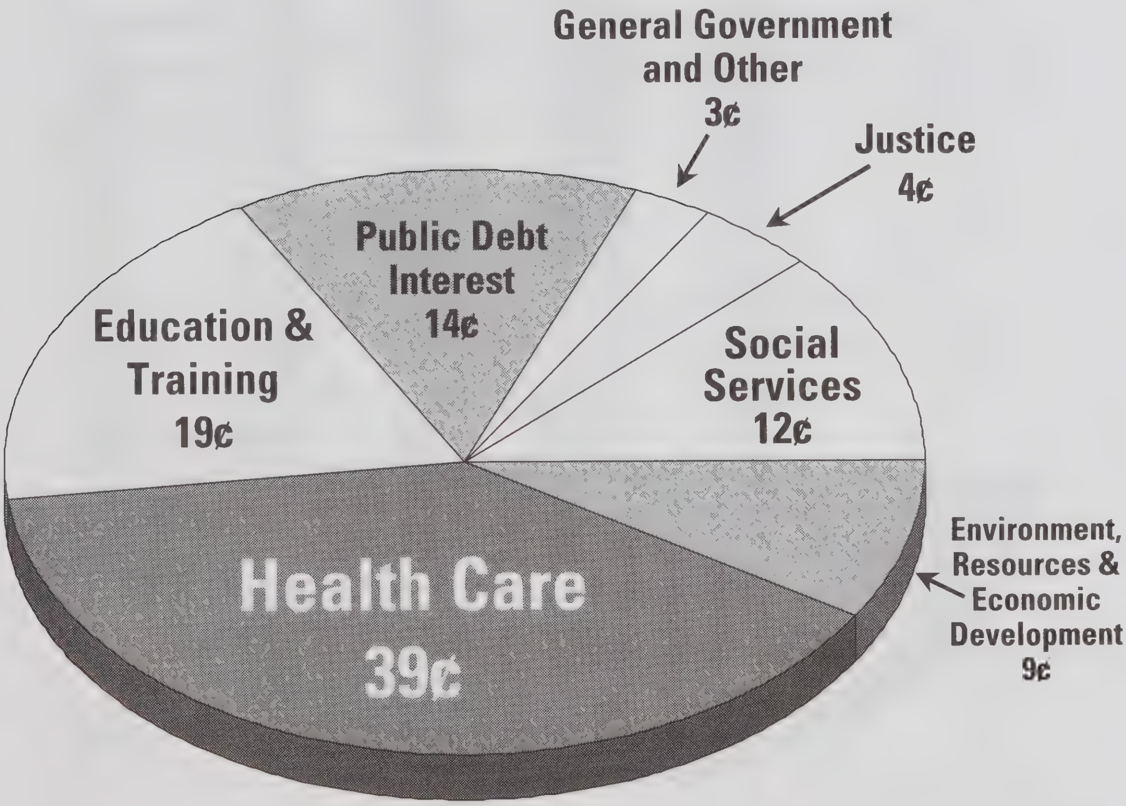
Table B7

1996-97	1997-98	1998-99	1999-00	Actual 2000-01	Interim 2001-02	Plan 2002-03
49,450	52,518	55,786	62,931	64,682	63,463	66,544
45,136	45,304	46,557	47,525	50,062	52,413	54,384
2,612	2,451	2,215	4,887	2,123	1,850	2,713
-	-	-	-	-	-	634
8,607	8,729	9,016	8,977	8,896	8,553	8,550
-	-	-	520	520	520	520
56,355	56,484	57,788	61,909	61,601	63,336	65,533
-	-	-	-	-	-	1,000
-	-	-	(354)	244	(69)	(11)
(6,905)	**(3,966)**	**(2,002)**	**668**	**3,325**	**58**	**0**
108,769	**112,735**	**114,737**	**113,715**	**110,634**	**110,507**	**110,496**
338,763	359,953	378,124	405,625	429,530	440,051	455,642
276,304	289,537	303,136	322,165	342,770	355,227	366,550
11,101	11,249	11,387	11,523	11,685	11,874	12,029
9,798	10,022	10,076	9,869	9,468	9,307	9,186
24,890	25,739	26,621	27,958	29,334	29,916	30,472
16.6	15.7	15.3	15.3	14.3	14.4	14.4
17.4	16.6	16.2	15.1	14.6	14.3	13.6
32.1	31.3	30.3	28.0	25.8	25.1	24.3

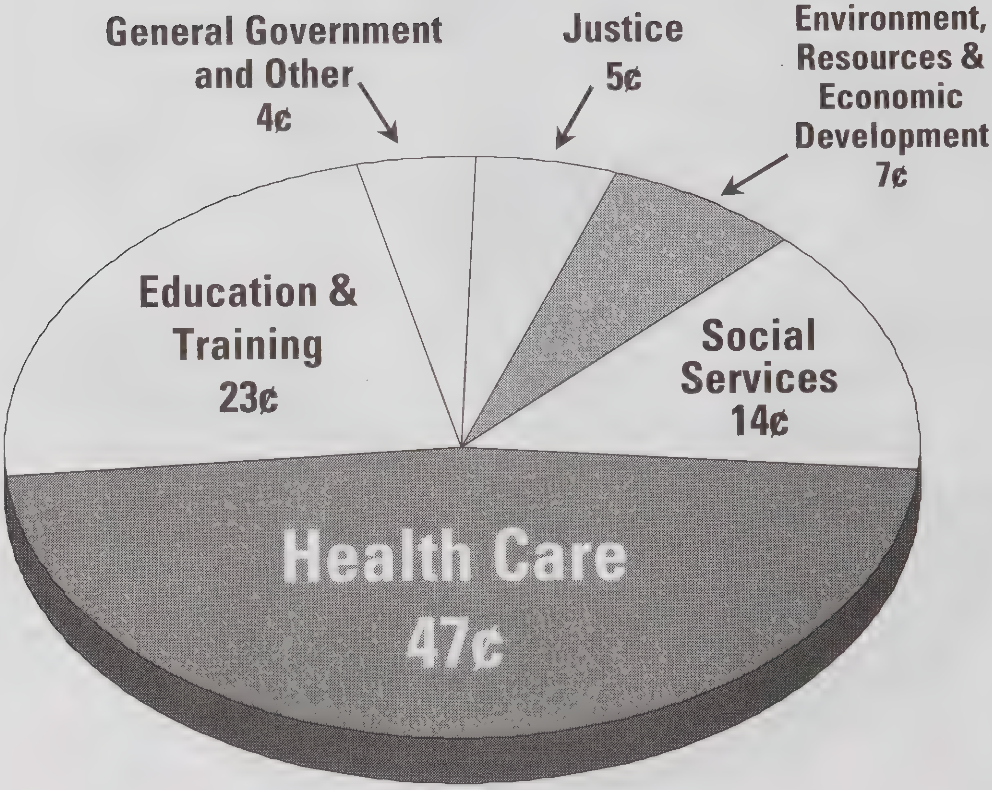
The Budget Dollar
Revenue
2002-03



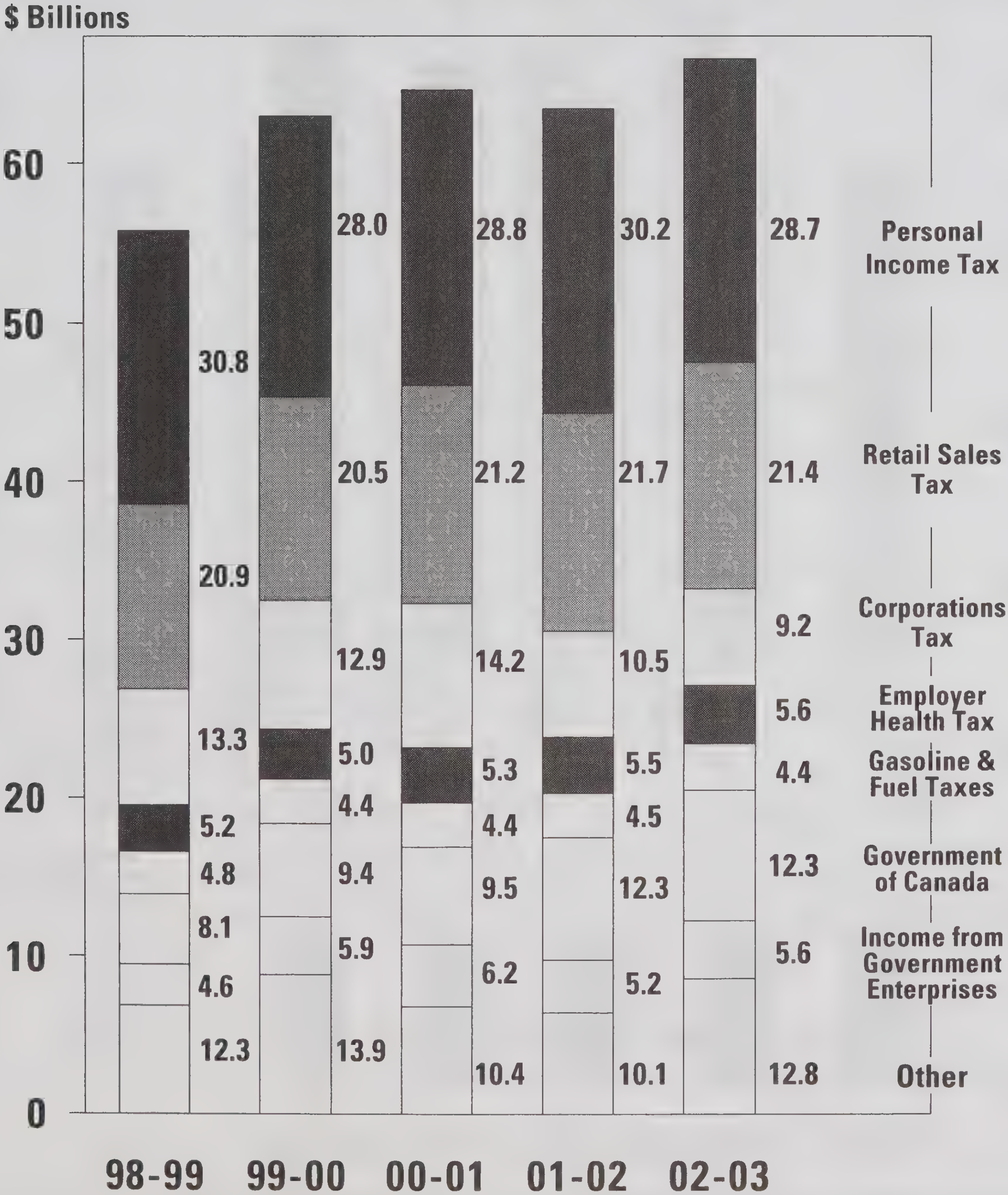
The Budget Dollar Total Expenditure 2002-03



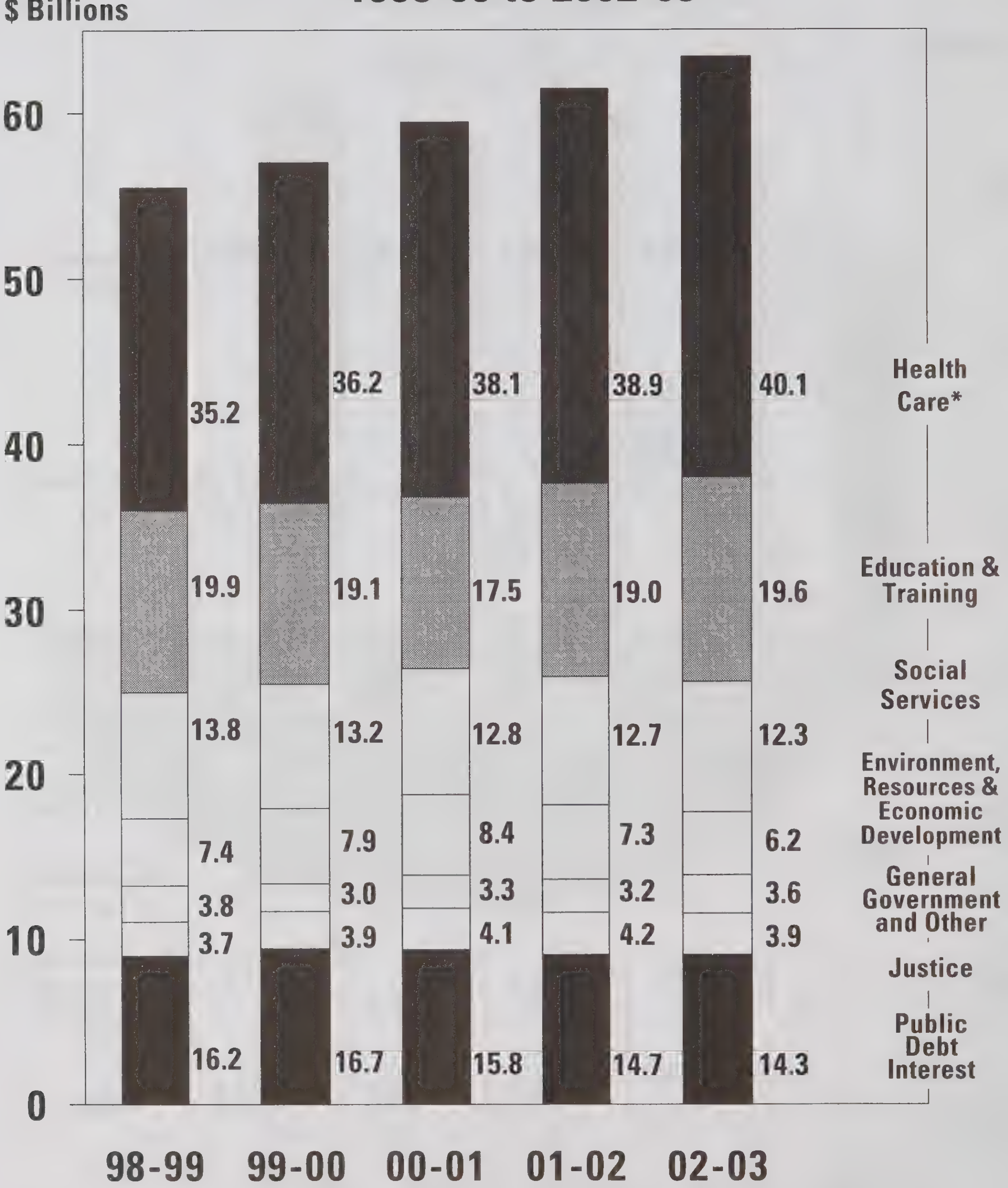
The Budget Dollar
Program Expenditure
2002-03



Revenue Sources by Category
Per Cent of Total
1998-99 to 2002-03

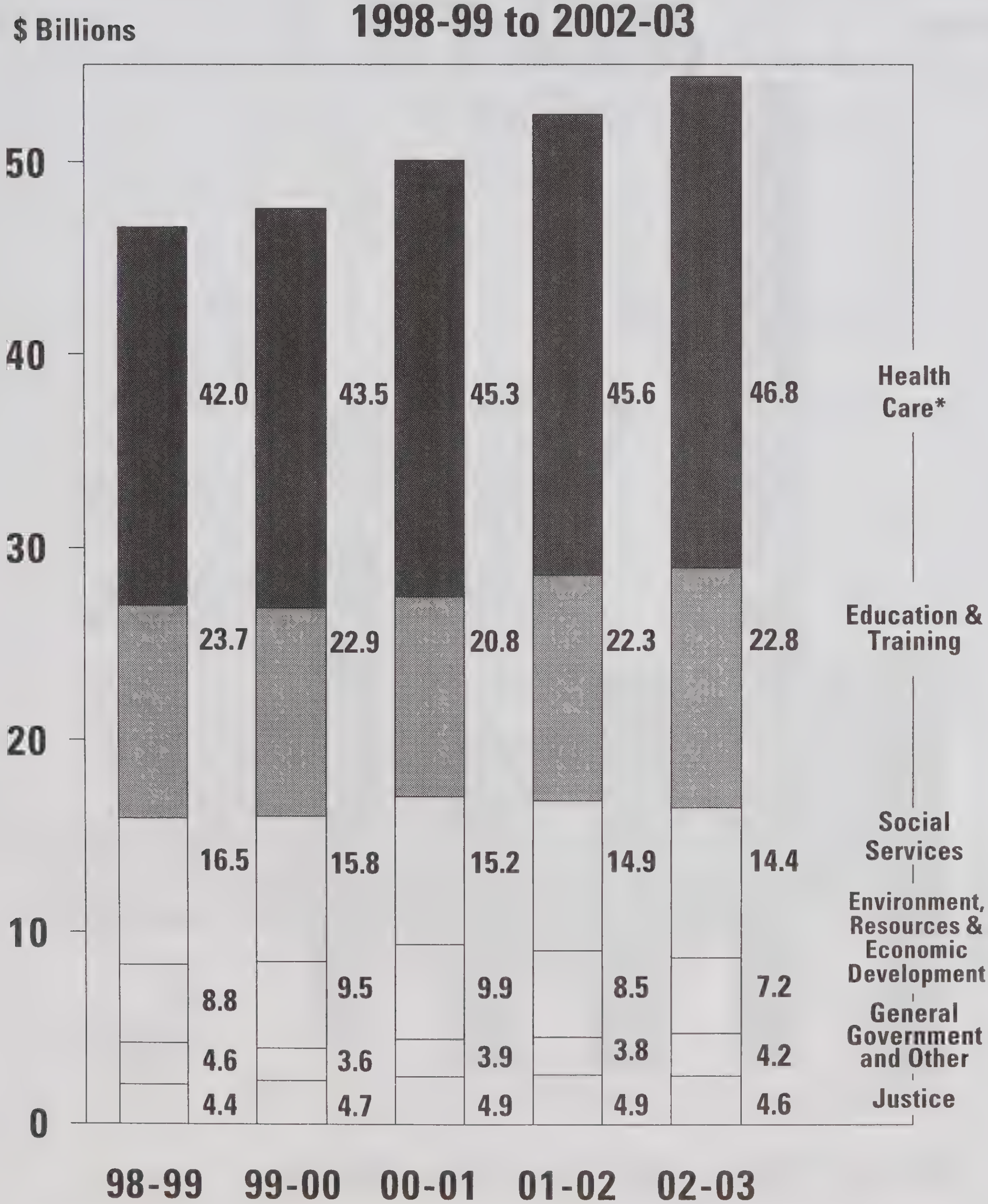


Operating Expenditure by Category Per Cent of Total 1998-99 to 2002-03



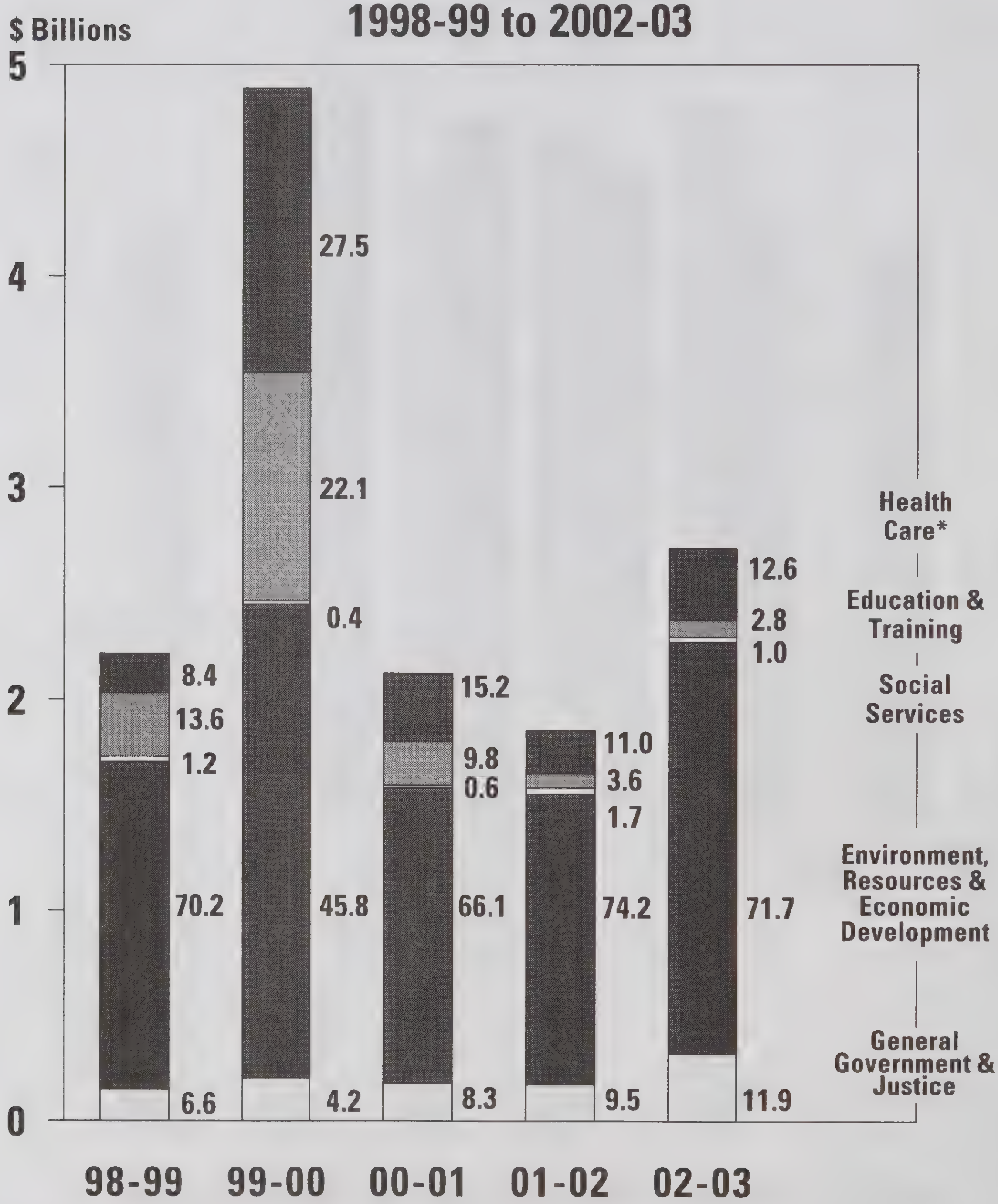
* Includes Major One-Time Health Care Costs and Health Care Restructuring.

Program Expenditure by Category Per Cent of Total 1998-99 to 2002-03



* Includes Major One-Time Health Care Costs and Health Care Restructuring.

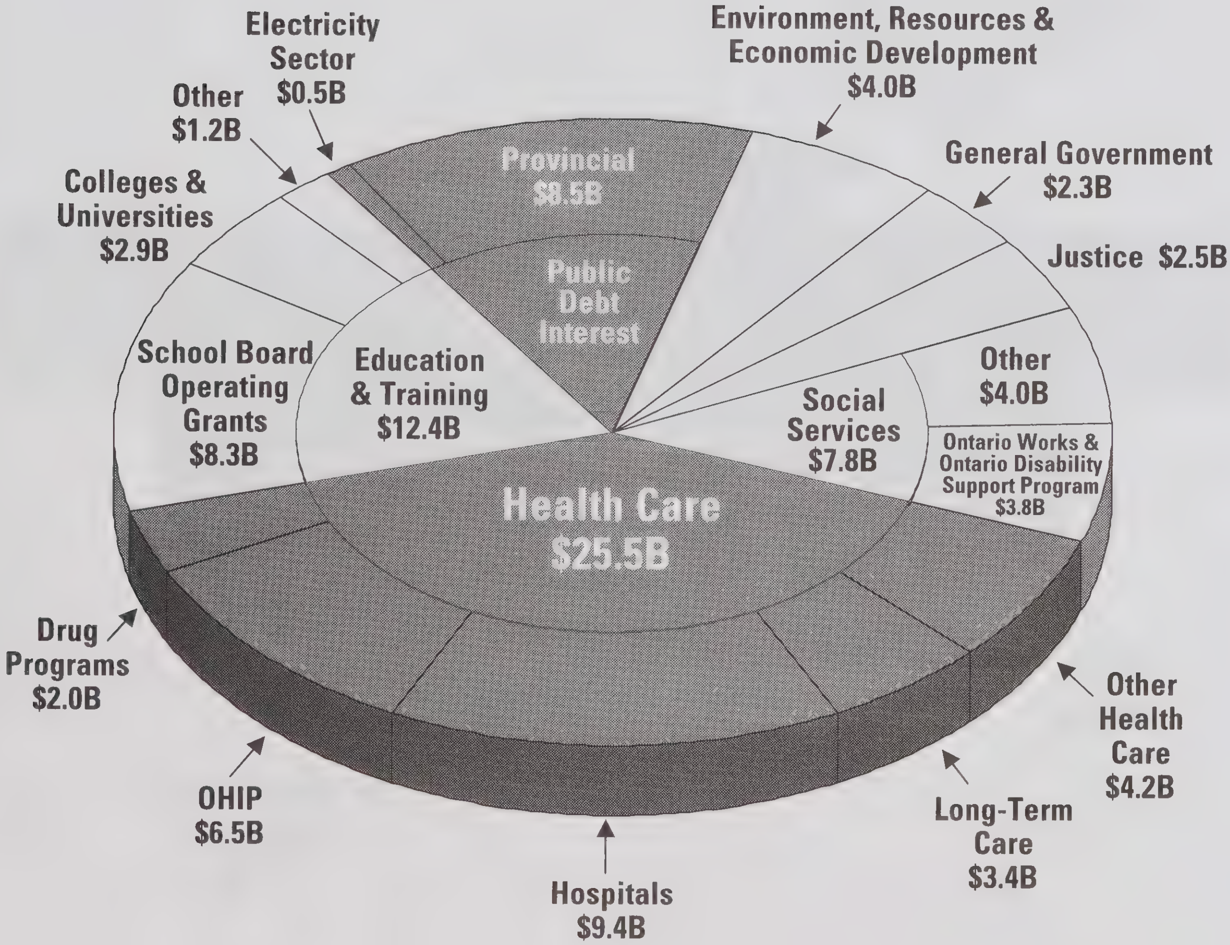
Gross Capital Expenditure by Category
Per Cent of Total
1998-99 to 2002-03



* Includes Major One-Time Health Care Capital Costs.

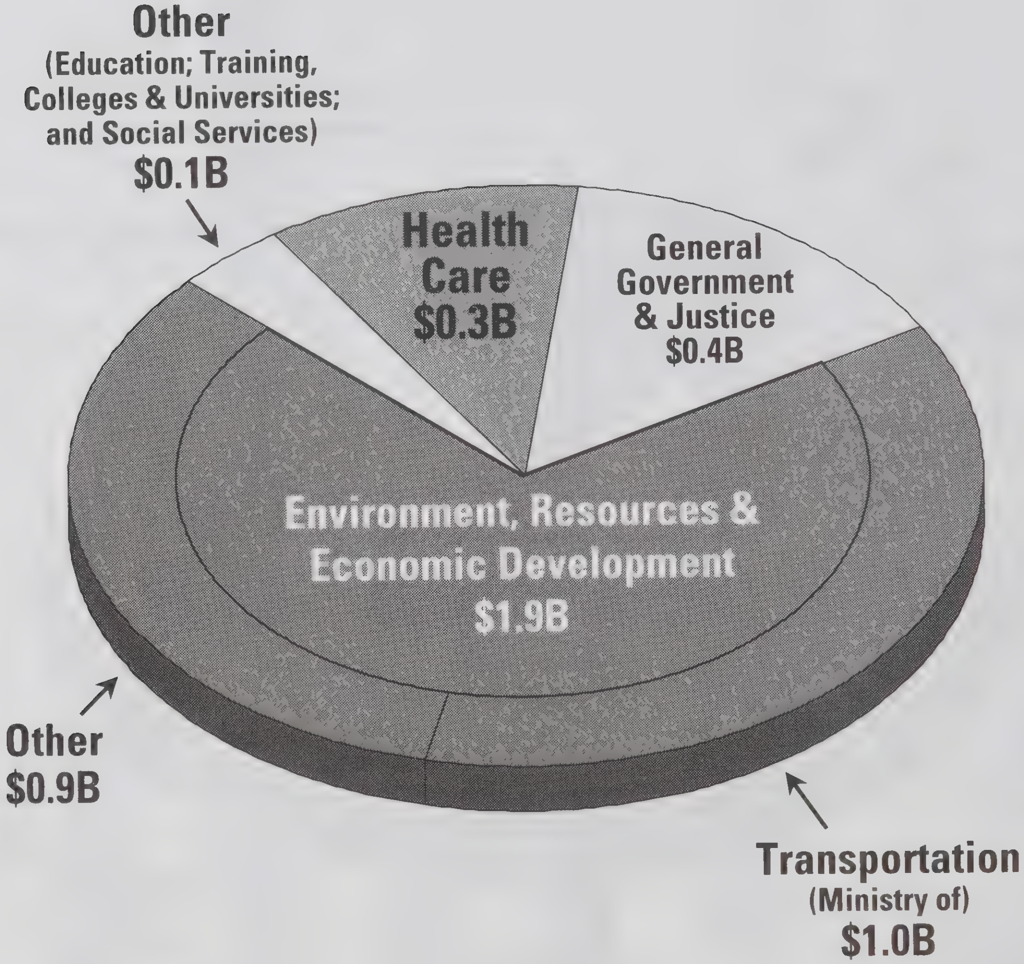
2002-03 Operating Expenditure by Category

($ Billions)



2002-03 Gross Capital Expenditure by Category

($ Billions)



PAPER C

Ontario's Record on Tax Cuts

Ontario's Record on Tax Cuts*

The Ontario Government's tax-cutting strategy has been designed to support and promote economic growth, job creation, innovation and entrepreneurship. The Government of Ontario will continue to ensure that the tax system remains competitive and geared towards promoting growth.

From 1985 to 1995, Ontarians experienced a decade of tax-and-spend policies. Since 1995, Ontario has become the national leader in cutting taxes. Cutting taxes strengthens and expands the economy. This improvement in economic growth also boosts tax revenues, which allows the government to continue to invest in the range of priority public services that Ontarians have come to expect.

Tax Cuts for People

Every taxpayer in Ontario benefits from the tax cuts Ontario has implemented since 1995.

Ontario's Record of Tax Cuts for People

1996 & 1997

✓ Set a plan to cut personal income tax (PIT) rate by 30%
✓ Established health care levy to offset impact of Employer Health Tax exemption
✓ Enriched Ontario Tax Reduction

1998

✓ Fully implemented 30% PIT rate cut ahead of schedule
✓ Enriched Ontario Tax Reduction

1999

✓ Cut residential education property tax rate by 10%
✓ Cut PIT rate by 5% as first step towards additional 20% tax cut
✓ Enriched Ontario Tax Reduction

2000

✓ Moved to *Made-for-Ontario* PIT system
✓ Fully indexed income tax system to protect against "bracket creep"
✓ Cut first and middle income tax rates further
✓ Reduced capital gains inclusion rate to 50%

2001

✓ Set a plan for completing 20% PIT cut
✓ Proposed first step to eliminate surtax
✓ Enhanced tax support for students and people with disabilities
✓ Enriched Ontario Tax Reduction

Original 30% personal income tax cut

- reduced Ontario income tax for every Ontario income tax payer
- delivered greatest percentage reductions to taxpayers with lower incomes

20% residential education tax cut

- delivered first 10% of the 20% reduction in 1999

Additional 20% personal income tax cut

- will give tax savings of at least 20% to virtually all taxpayers with incomes of up to $100,000

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* Where applicable, statements made in this paper concerning measures proposed in this Budget are conditional on the approval of relevant legislation by the Legislature.

We also introduced the "Made-for-Ontario" personal income tax system in 2000. This has enabled the Province to tailor its tax cuts to meet the diverse needs of Ontario taxpayers in a variety of ways: indexing Ontario's tax system to protect taxpayers from automatic tax increases when their incomes rise with inflation; increasing personal tax credits to remove more lower-income earners from Ontario's income tax rolls; and encouraging investment at all income levels by reducing the rates of tax paid on capital gains.

The Province has also made significant progress in reforming the property tax system. With the introduction of Current Value Assessment in 1998, the property tax assessment base was reformed to provide a fair, up-to-date base for property taxes. This much-needed reform ensures taxpayer fairness by allowing property owners to compare their assessment to similar properties within their community and across the province. We implemented a uniform residential education property tax rate to ensure that every residential taxpayer would pay education taxes based on the same rate, regardless of where they live in the province. Additionally, in the 1999 Budget, we reduced the residential education property tax rate by 10 per cent, saving residential taxpayers $250 million annually in education taxes.

As a result of the Government of Ontario's tax cuts for people to date:

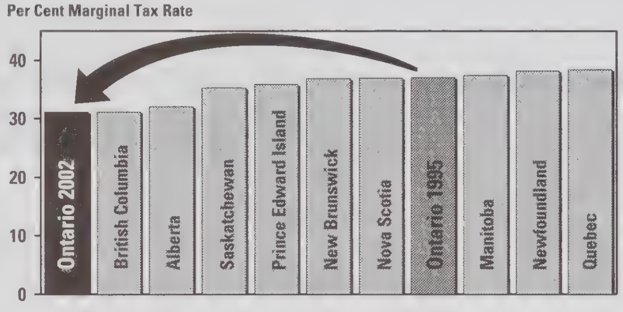
- there are 695,000 lower-income individuals who do not pay income tax to the Province but who do pay federal income tax;
- taxpayers' Ontario personal income taxes have been reduced by 50.3 per cent, on average, with the largest percentage savings concentrated on taxpayers with lower and middle incomes; and
- the $250 million residential education property tax cut is saving the average Ontario homeowner $70 each year.

Competitive Personal Income Taxes

In 1995, before Ontario's personal income tax cuts began, middle- and high-income Ontarians were among the most highly taxed individuals in Canada and the taxes they paid were out of line with competing jurisdictions.

For the 2002 taxation year, as a result of the Ontario Government's tax cuts to date, no other province in Canada charges lower rates of personal income tax than Ontario on most taxpayers earning less than about $60,000. Furthermore, Ontario's combined federal-provincial marginal tax rates for these taxpayers are now comparable with those of key competing countries and states.

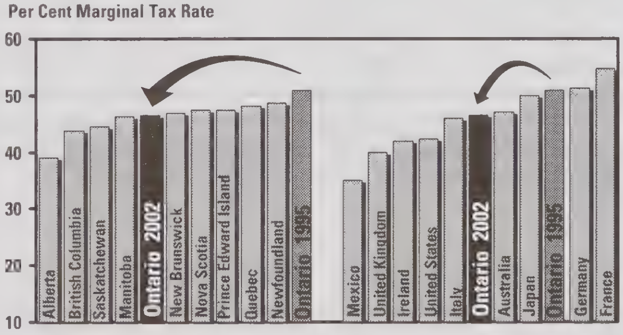
Interprovincial Personal Income Tax Rates, 2002
Ontario Tax Rates, 1995 & 2002
For Individuals Earning $50,000



Note: The Ontario PIT rates shown here are combined federal-provincial rates.
Source: Ontario Ministry of Finance.

Similarly, Ontario's tax rates for higher-income earners are now in line with those of other jurisdictions. Had the government not implemented these tax cuts, Ontario would be one of the highest-taxing jurisdictions anywhere, especially for high-income earners. Instead, Ontario has established a more competitive personal income tax system that is more attractive to both highly skilled workers and investors.

Comparison of Personal Income Tax Rates, 2002
Ontario Tax Rates, 1995 & 2002
Top Marginal Rate



Note: The Ontario PIT rates shown here are combined federal-provincial rates.
Sources: Ernst & Young, 2002 and Ontario Ministry of Finance.

Individual investors have seen substantial reductions in the taxes they pay on capital gains. In addition to cutting personal income tax rates, Ontario reduced the amount of capital gains included in income, from 75 per cent to 50 per cent, in 2000. Taken in combination, these measures have reduced the top marginal rate of Ontario personal income tax on capital gains by nearly one-half, and the marginal rates of Ontario personal income tax paid at lower income levels by nearly 60 per cent. Tax rates on capital gains in the United States vary with the length of time an asset is held and are lowest for holding periods of over five years. Even with this U.S. treatment, the combined federal-Ontario marginal rates of personal income tax on capital gains are now generally comparable—across all income levels—with combined federal-state marginal rates of personal income tax in the United States.

Marginal Rates of Personal Income Tax on Capital Gains

(Per Cent)

Income ($Cdn)	Canada Tax Plus Ontario Tax 1995	Canada Tax Plus Ontario Tax 2002	Asset Holding Period	United States Tax Plus Average State Tax 2002
			Income of up to $35,650 US[1]	
25,000[1]	20.5	11.0	up to 12 months	20.2
			from 1 to 5 years	14.6
50,000[1]	31.4	15.6	more than 5 years	12.1
			Income over $35,650 US[1]	
100,000[1]	39.9	21.7	up to 12 months	32.2 - 44.3
			from 1 to 5 years	25.1
200,000[1]	39.9	23.2	more than 5 years	22.6[2] - 24.6

1. For a single individual claiming only the basic personal deduction and exemption or credit.
2. Reduced federal rate of 18 per cent (instead of 20 per cent) will apply to assets purchased after 2000 and held for more than five years.

Sources: Ernst & Young, 2002 and Ontario Ministry of Finance.

Encouraging Business Investment

High business tax rates reduce profits, investment and economic growth. If tax rates are not competitive, investors will seek a more attractive economic climate.

Prior to the corporate income tax rate cuts announced by the Ontario Government, small businesses in Ontario paid a higher corporate income tax rate than small businesses in any other province. The general combined corporate income tax rate in Ontario was one of the highest in the world. The Ontario Government announced a corporate tax rate cut plan that will give Ontario a lower general combined corporate income tax rate than the current rate in any province or U.S. state.

Ontario's Corporate Income Tax Cuts

1998

- ✓ Set a plan to cut the small business rate from 9.5% to 4.75%

2000

- ✓ Outlined the first two steps in a plan to cut the general corporate income tax rate from 15.5% to 8% and the tax rate on income from manufacturing and processing, mining, logging, farming and fishing from 13.5% to 8%
- ✓ Enhanced and accelerated the small business rate cut plan to 4%
- ✓ Set a plan to extend the small business rate to the first $400,000 of taxable income

2001

- ✓ Outlined steps to reduce corporate income tax rates to 8%

When fully implemented:

A small business tax rate cut of 57.9%

A general corporate income tax rate cut of 48.4%

As a result of the tax cuts implemented to date, Ontario's small business income tax rate has been cut by over 36 per cent; the general corporate income tax rate has been cut by almost 20 per cent, and there has been a 40 per cent increase in the income level eligible for the small business tax rate.

In addition to corporate income tax cuts, the government has also made significant progress in reducing or eliminating profit-insensitive business taxes. Businesses have told the government that profit-insensitive taxes are a deterrent to job creation, business location and investment decisions and that they can impede competitiveness.

In the 1996 Budget, the government introduced the phase-in of an exemption from Employer Health Tax for private-sector employers on the first $400,000 of payroll. As a result, fully 88 per cent of Ontario private-sector employers no longer had to file a payroll tax return. As well, the government eliminated the Employer Health Tax on self-employment income.

In the 1998 Budget, the government committed more than $500 million over eight years to cutting business education property taxes that were above the provincial average. In 2002, business taxpayers will save $400 million due to the business education property tax reductions delivered to date.

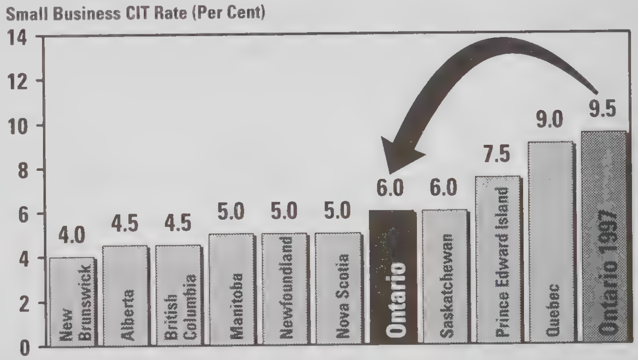
Since 1999, the government has eliminated the capital tax for about 70,000 corporations. Prior to 1999, the Ontario capital tax applied to corporations if their assets or revenue were greater than $1 million. Businesses with taxable capital under $2.3 million were subject to flat or reduced rates of capital tax. Since 1999, the government has announced measures to reduce or eliminate Ontario capital tax. Effective October 1, 2001, the government legislated the first step towards eliminating the capital tax by making the first $5 million of taxable capital tax free.

Competitive Business Taxes

National and international trends have been towards lowering business taxes to encourage business investment, economic growth and job creation. In a global economy where capital is highly mobile, investors are looking to jurisdictions that offer the best environment for growth and prosperity. Ontario has taken the action necessary to support a competitive business environment.

In 1997, Ontario had a small business corporate income tax rate of 9.5 per cent—the highest provincial small business tax rate in Canada at the time. The Ontario Government's tax cuts to date have reduced the small business rate to 6 per cent in 2002. In addition, the number of businesses that qualify for this lower rate has been increased. These tax cuts have helped more than 100,000 small businesses in Ontario to continue to create jobs.

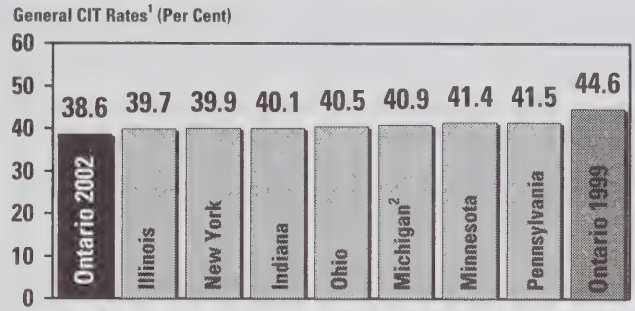
Provincial Small Business Corporate Income Tax (CIT) Rates*



* As of June 2002.
Source: Ontario Ministry of Finance.

Until recently, Ontario's general combined corporate income tax rate was one of the highest in the world. It was higher than the combined federal-state corporate income tax rate of any state in the United States. As a result of tax cuts to date, Ontario's general combined corporate income tax rate is now below the rate of any of the neighbouring states in the United States.

Ontario's Corporate Income Tax (CIT) Rate Compared to Neighbouring States, 2002



Notes: 1. The CIT rates shown here are the combined federal and state/provincial rates.
2. Michigan has a value-added Single Business Tax. Its CIT equivalent is shown for comparative purposes.
Source: Ontario Ministry of Finance.

It is especially important for Ontario to have corporate income tax rates lower than those of the United States, our closest international competitor for jobs and investment. Furthermore, since September 11, 2001, foreign investors are concerned about border access and the risks associated with exporting from Canada to the United States. This is an issue that Canadian governments must address on many fronts, including the improvement of border infrastructure and security arrangements. A strategy focusing on ensuring that the Canadian tax regime is highly competitive is even more important under these circumstances.

The Benefits of Tax Cuts

Tax cuts are an important contributor to economic growth. Economic researchers around the world agree that cutting personal income and business taxes leads to significant increases in long-run productivity growth.

The Ontario example proves that cutting taxes improves and strengthens the economy:

- 893,000 new jobs created since September 1995;
- strong growth in the economy—almost 27 per cent since 1995, compared to 20 per cent in the rest of Canada.; and
- tax revenues up nearly $14 billion.

In 2001, job performance in Ontario was much better than our biggest trading partner, the United States. This is a far cry from the early 1990s when Ontario suffered much larger job losses as a percentage of its population.

A significant factor in the resilience of the Ontario economy is the government's focus on cutting taxes. Cutting taxes invigorates an economy. It gives both entrepreneurs and employees the incentive they need to expand, invest and create jobs. Cutting taxes means that more Ontarians can keep more of their hard-earned money. They can use this money to spend, save or invest.

The most significant benefits of cutting taxes are long-term, in particular, after the investment and entrepreneurial climate has had a chance to adjust to the lower rate of tax. Tax rates are a fundamental conditioning factor of an economy because they affect the incentives faced by all decision-makers.

Ontario's Tax-Cut Plan

Ontario's economy, while affected by the economic slowdown in 2001, performed much better than the last time the United States experienced a recession, in the early 1990s. However, the slower economy in 2001-02 has led to reduced revenues for Ontario, particularly corporate income tax revenues.

Most indicators are now pointing to a good recovery in the economy. However, the recovery of tax revenue usually lags behind improvements in economic growth. Important sources of tax revenue such as corporate profits, sales tax on business purchases and capital gains remain weak at the outset of a recovery. It is the nominal value of GDP on which tax is paid, and businesses remain under extreme pressure to cut prices to stay competitive. These pressures are continuing to some extent in 2002, and therefore the recovery of corporate profits is expected to be slower than the recovery in real GDP growth.

Because of the temporary fiscal situation, the Ontario Government has made the decision to reschedule certain major planned tax cuts for one year only. Certain already-planned tax cuts for small business and mining will go ahead. In addition, this Budget proposes to eliminate Ontario personal income tax for another 50,000 lower-income earners by enriching the Ontario Tax Reduction program. This brings to 745,000 the number of people who would not pay Ontario income tax but will pay income tax to the federal government.

The government's commitment to reduce residential education property taxes by 20 per cent will be completed by 2004. The government's commitment to reduce business education property taxes by more than $500 million will be completed by 2005.

The Province's long-term goal remains the same. The proposed one-year delay in implementation would not impair Ontario's tax-cut plan. While reducing tax rates is important for increasing incentives and boosting productivity, consumer spending can be sustained without another immediate round of tax cuts. Thanks to past cuts, economic fundamentals are strong in Ontario and consumer confidence is high. Consumer spending is growing strongly, as indicated by a 2.7 per cent increase in retail sales in the first quarter of 2002.

Ontario's businesses have already benefited from substantial reductions to corporate income tax rates. Ontario's general combined corporate income tax rate in 2003 would be almost four percentage points below the U.S. Great Lakes' state average. Ontario's personal income tax rates would remain tied with those of British Columbia as lowest among provinces for most taxpayers with incomes of less than about $60,000, and Ontario's top marginal rate would not be affected, remaining at fifth lowest among the provinces.

Ontario taxpayers will benefit this year from the tax cuts already delivered, and the benefits of those cuts will continue to grow with the economy. By 2004, Ontario's additional 20 per cent personal income tax cut would be delivered and, by 2006, Ontario's corporate income tax rate cuts would be fully implemented.

Once the government's additional 20 per cent personal income tax cut is fully implemented, Ontario's marginal tax rates will be the lowest among provinces for individuals earning less than about $60,000. When compared with other countries and competing states, Ontario's combined federal-provincial marginal tax rates will be among the lowest.

Once the government's corporate income tax cuts have been fully implemented, Ontario will have the lowest general combined corporate income tax rate of any province or U.S. state.

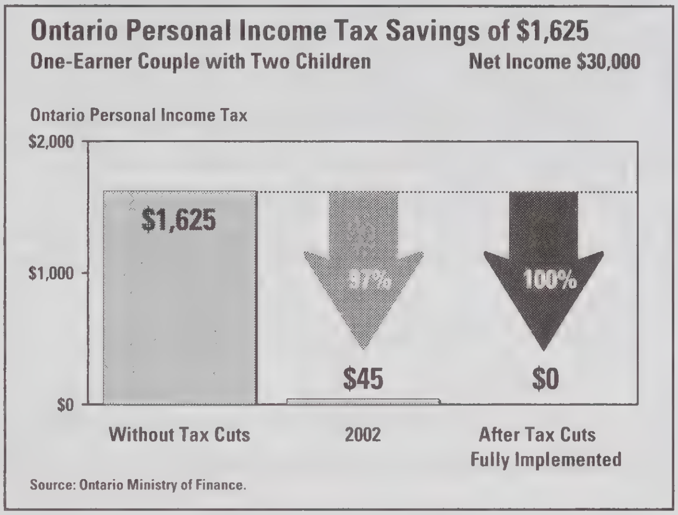
The fact that Ontario has enjoyed some of the strongest economic growth in the industrialized world since 1995 is reflected in the creation of over 893,000 new jobs during that time as well as increased prosperity for the people of Ontario. However, other countries are not standing still, and the competition for investment is becoming ever stronger. Completing our corporate tax-cut plan, which would reduce Ontario's rates to at least the international average, is vital to ensuring that Ontario's economy achieves its full potential for the benefit of all Ontarians.

The government is proceeding with planned corporate income tax cuts. Lower corporate income taxes boost economic growth, investment and job creation. Although the combined corporate income tax rate in Ontario has fallen by more than 13 per cent, from 44.6 per cent to 38.6 per cent, it is still more than seven percentage points higher than the current average corporate tax rate in the 30-nation Organisation for Economic Co-operation and Development (OECD).

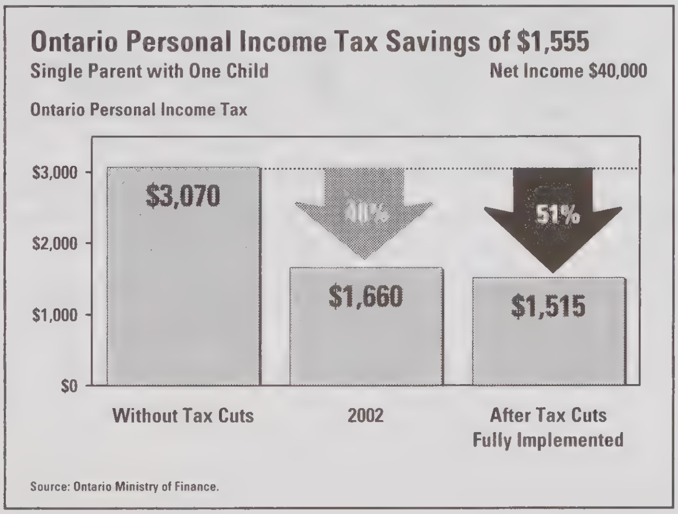
Individual Taxpayers and Families

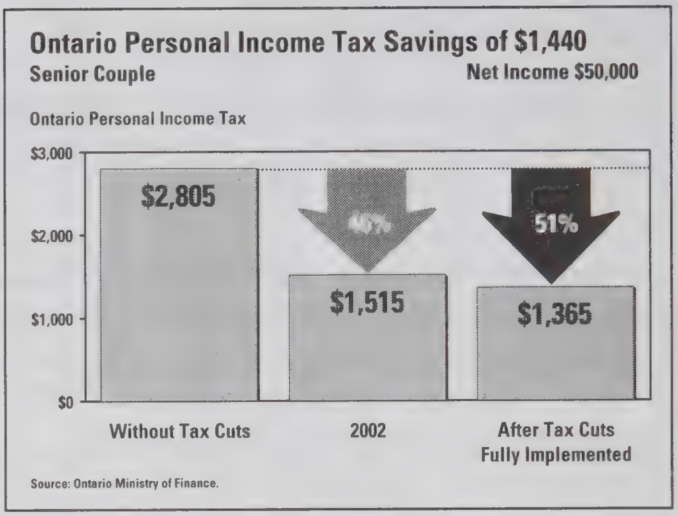
The following examples illustrate the combined impact of the personal income tax cuts already in place—on individuals and families for a variety of incomes and circumstances—and their savings when Ontario's tax cuts are fully implemented.

A couple with two children (aged two and four) and employment income of $30,000 from one individual working as a shipping clerk will save $1,625 in Ontario personal income tax, or 100 per cent, when Ontario's tax cuts are fully implemented. This family is already saving $1,580, or 97 per cent, in Ontario tax this year as a result of Ontario's personal income tax cuts to date. Ontario's residential education tax cut provides a further tax saving of $48 to this family on its three-bedroom home in Peterborough, assessed at $117,000. In addition, this family will receive $1,400 annually from the Ontario Child Care Supplement for Working Families, a tax-free benefit for low- and moderate-income working families with children under age seven.

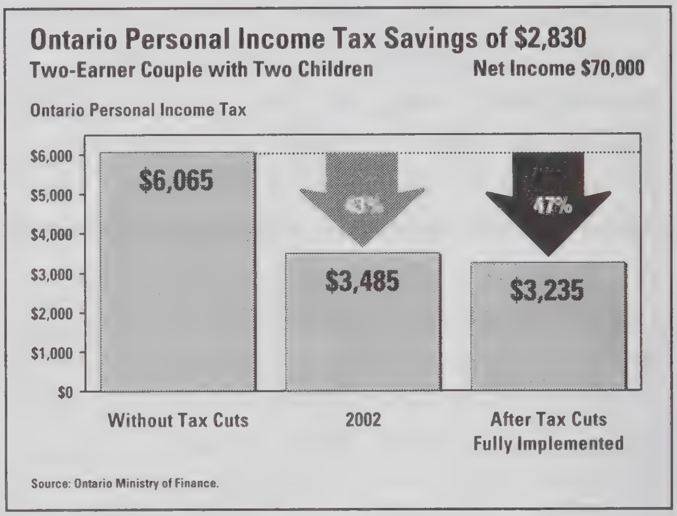


A single parent with one child, aged 14, earns $40,000 as an administrative assistant. For this family, full implementation of Ontario's tax cuts will deliver Ontario income tax savings of $1,555, or 51 per cent. This family is already saving $1,410, or 46 per cent, in Ontario tax this year. Ontario's residential education tax cut provides a further tax saving of $50 to this family on its two-bedroom home in Oshawa, assessed at $121,000.





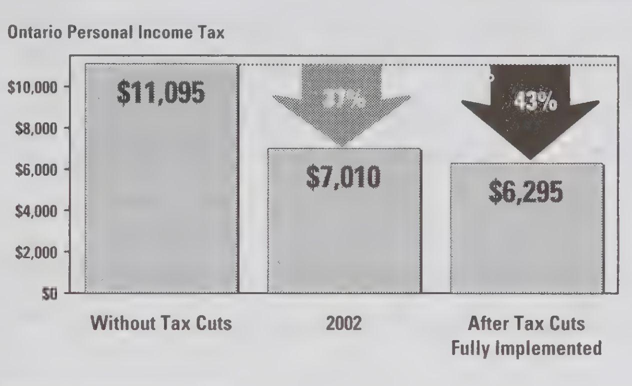
A retired couple receives $10,620 in Old Age Security and $11,380 in Canada Pension. In addition, both individuals receive income from company pensions, one in the amount of $17,000 a year and the other $11,000. This family will pay $1,440 less Ontario personal income tax, or 51 per cent, when the Ontario Government's tax cuts are fully implemented. This family is already saving $1,290, or 46 per cent, in Ontario tax this year as a result of Ontario's personal income tax cuts to date. In addition, Ontario's residential education tax cut provides a further tax saving of $36 to this family on its two-bedroom home in Sudbury, assessed at $88,000.



A couple with two children (aged eight and 10) has a combined annual income of $70,000. One individual is employed as a computer analyst and earns $45,600 while the other individual makes $24,400 working part-time as a Web developer. For this family, Ontario's tax cuts, when fully implemented, will deliver Ontario income tax savings of $2,830, or 47 per cent. This family is already saving $2,580, or 43 per cent, in Ontario tax this year. Ontario's residential education tax cut provides a further tax saving of $84 to this family on its three-bedroom home in Mississauga, assessed at $202,000.

A professional earning $90,000 a year and contributing $10,000 to an RRSP will save $4,800 in Ontario personal income tax, or 43 per cent, when Ontario's tax cuts are fully implemented. This individual is already saving $4,085, or 37 per cent, in Ontario tax this year as a result of Ontario's personal income tax cuts to date. A further saving of $102 will be delivered through Ontario's residential education tax cut on this individual's three-bedroom home in Ottawa, assessed at $247,000.

Ontario Personal Income Tax Savings of $4,800

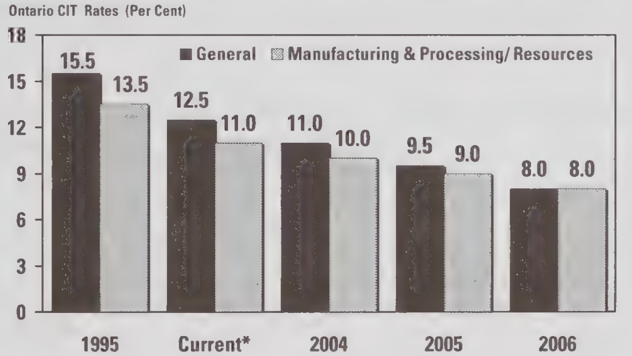


Source: Ontario Ministry of Finance.

Corporations

Ontario will follow through on the action needed to support a globally competitive business environment. The cuts have already been deep. Ontario's general corporate income tax rate has been reduced by almost 20 per cent in the last two years. Those cuts have taken us almost halfway to the target corporate income tax rate of eight per cent in 2006.

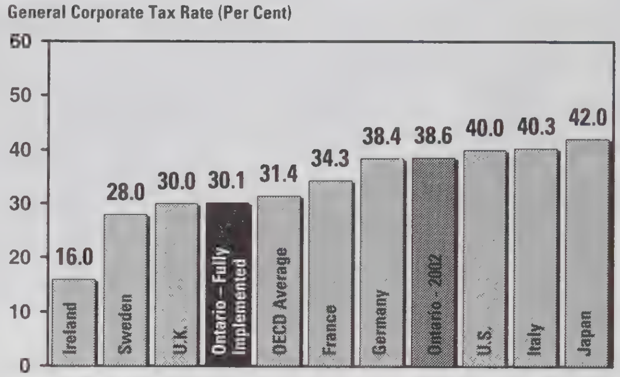
A Rescheduled Ontario Corporate Income Tax (CIT) Rate Cut Plan



* Rates effective as of October 1, 2001.
Source: Ontario Ministry of Finance.

When the corporate income tax cuts are fully implemented, Ontario's combined federal-provincial corporate income tax rate of 30.1 per cent will be lower than the current OECD average rate of 31.4 per cent and below the current rates in the United States, Japan, Germany, France and Italy. The general combined corporate income tax rate in Ontario will be lower than the current rate in any of the 50 U.S. states.

International Corporate Tax Rates, 2002



Sources: *KPMG Corporate Tax Rate Survey – 2002* and Ontario Ministry of Finance.

Working Together with the Federal Government

In the past few years, the federal government has made a positive contribution to economic growth through its monetary policy. The goal of keeping inflation near the midpoint of a one to three per cent range is a reasonable one that the Ontario Government supports. The Bank of Canada, under its current management, has done a good job of adjusting interest rates in order to support economic growth while maintaining price stability.

In addition, the federal government has followed Ontario's example by cutting personal and corporate income tax rates and providing targeted tax measures that have helped to build a stronger economy.

Whether comparing income tax savings for individual taxpayers and families, or aggregate income tax savings for the people of this province, the Government of Ontario's personal income tax cuts to date greatly exceed those of the federal government. On a percentage basis, Ontario income tax cuts are more than twice as big, overall, as federal income tax cuts.

When these personal income tax cuts are fully implemented in 2004, the percentage savings due to Ontario's income tax cuts will be substantially more than those arising from federal income tax cuts, across income levels and family types.

Comparison of Ontario and Federal Personal Income Tax (PIT) Savings
Selected Individual Taxpayers and Families
(Per Cent)

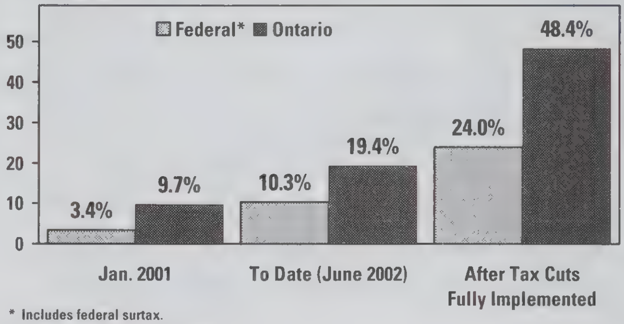
	Ontario PIT Savings[1]	Federal PIT Savings[2]
One-earner couple with two children and net income of $30,000	100	26
Single parent with one child and net income of $40,000	51	28
Senior couple with net income of $50,000	51	22
Two-earner couple with two children and net income of $70,000	47	20
Single individual with net income of $80,000	43	21

1. Includes the impact of all of Ontario's PIT initiatives implemented and proposed since 1995.
2. Includes the impact of 1998 and 1999 federal increases to personal tax credits, 2000 and 2001 federal PIT rate cuts and increases to tax brackets and personal tax credits and indexation of other non-refundable tax credits to 2004.

The same holds true for corporate income taxes. Over the past two years, the Government of Ontario has cut its general corporate income tax rate by nearly twice as much as the federal government. Ontario has also cut its small business tax rate by over 36 per cent since 1997, whereas the federal government has not made any reductions to its small business rate for the past 14 years.

Comparison of Federal and Ontario Corporate Income Tax (CIT) Rate Cuts

Reduction in general CIT rates since January 1, 2000



* Includes federal surtax.
Source: Ontario Ministry of Finance.

Details of Revenue Measures

The following sections provide information on the taxation measures proposed in the Budget. For a precise description of these measures, the reader is advised to consult the amending legislation.

Income Tax Act

The final steps of Ontario's additional 20 per cent personal income tax cut set out in the 2001 Budget are proposed to be rescheduled to January 1, 2004.

The increase in the Equity in Education Tax Credit rate to 20 per cent, set out in the 2001 Budget, is proposed to be rescheduled to January 1, 2004.

The Ontario Tax Reduction eliminates or reduces Ontario personal income tax otherwise payable by taxpayers with low to moderate incomes. This Budget proposes that the basic reduction be increased, from $161 to $178 plus an increase for inflation, effective January 1, 2003. With this proposed change, about 50,000 lower-income taxpayers would be removed from Ontario's income tax rolls and 620,000 additional taxpayers with modest incomes would pay less Ontario income tax.

Corporations Tax Act

The 2001 Budget set a schedule to cut both the general corporate income tax rate and the tax rate on income from manufacturing and processing (M&P), mining, logging, farming and fishing to eight per cent by 2005. The first step in that schedule, which reduced the general and M&P rates to 12.5 per cent and 11 per cent respectively, was accelerated to October 1, 2001.

This Budget proposes to reschedule the corporate income tax rate cuts as follows:

Revised Schedule of Ontario Corporate Income Tax Rate Cuts*
(Per Cent)

	Current Rate	January 1, 2004	January 1, 2005	January 1, 2006
General Corporate Income Tax Rate	12.5	11	9.5	8
Tax Rate on Income from Manufacturing and Processing, Mining, Logging, Farming and Fishing	11	10	9	8

* All tax rate reductions would be prorated for taxation years straddling the effective dates.

Farm Taxation

To help support the farming community, the government intends to provide municipalities with the flexibility to lower municipal property taxes on farm properties. Beginning in 2003, upper-tier and single-tier municipalities would be able to lower the municipal portion of the tax rate below 25 per cent of the residential tax rate. The reduction would apply to both the upper-tier and lower-tier portions of the municipal property tax.

Currently, government-owned farms are not eligible for inclusion in the farmlands property class. To bring equity to the tax treatment of farms and to provide farmers with a level playing field, the Province intends to make government-owned farms, which are occupied by tenant farmers, eligible for inclusion in the farmlands property class.

Tobacco Taxation

Ontario proposes to increase the rate of tax on cigarettes and cut tobacco by 2.5 cents per cigarette or gram of cut tobacco. For cigarettes, this proposed increase amounts to $5 per carton of 200 cigarettes.

To address tax evasion, Ontario proposes to amend the structure of tobacco taxation by exempting tobacco products from the *Retail Sales Tax Act* and recovering the revenues through an equivalent increase in rates under the *Tobacco Tax Act.*

In combination with the restructuring, the proposed new tax rates are:

- 8.6 cents per cigarette, tobacco stick or gram of cut tobacco; and
- 56.6 per cent of the retail price of cigars.

These changes would be effective 12:01 a.m., June 18, 2002.

Technical Measures

Ontario will introduce legislation and regulations to improve policy and administrative effectiveness, maintain the integrity and fairness of the tax system, and simplify legislation and tax compliance.

Assessment Act

- To ensure the property assessment methodology used to value hotels is fair, the Province intends to prescribe certain standard percentage deductions to be used in the valuation of hotels for property tax purposes starting in 2003. Specifically, the standard deduction for management expenses would be five per cent and the standard deduction for chattels (furniture, fixtures and equipment) would be 15 per cent. The Municipal Property Assessment Corporation would have the discretion to apply different percentages in unique circumstances. The use of standard percentage deductions would ensure that all hotels are fairly assessed relative to other commercial property in Ontario and that hotel assessments in Ontario remain consistent and competitive with those in other North American jurisdictions.
- To enhance taxpayer understanding, the government intends to change the name of two property classes. The "residential/farm property class" would be changed to the "residential property class". The "farmlands property class" would be changed to the "farm property class".

Community Small Business Investment Funds Act

- The deadline for registering a new Community Small Business Investment Fund is proposed to be extended from December 31, 2002 to December 31, 2003.

Corporations Tax Act

- Effective for taxation years ending after June 17, 2002, Ontario proposes to parallel Canada's income tax treaties for purposes of determining whether a non-resident corporation has a permanent establishment in Ontario.
- The current requirement that corporations must apply to be prescribed as a financial institution for capital tax purposes would be eliminated. Financial institutions prescribed federally would automatically be deemed financial institutions for Ontario purposes. A corporation that is prescribed federally, but does not wish to be deemed a financial institution for Ontario purposes, could request to have the provision not apply.
- The deadline for acquiring an eligible school bus under the Ontario School Bus Safety Incentive program would be extended to buses acquired before January 1, 2006. In addition, the incentive would be made available to unincorporated school bus operators for eligible buses acquired after June 17, 2002.

Fuel Tax Act

- Effective after June 17, 2002, an exemption from the 14.3 cents per litre tax under the *Fuel Tax Act* would be provided for biodiesel fuel, regardless of whether it is mixed with diesel fuel. To ensure national consistency and simplify administration, Ontario's definition of biodiesel fuel would be based on the Canadian General Standards Board (CGSB) standard for biodiesel fuel. The CGSB expects to finalize the biodiesel fuel standard by the fall of 2002. Until such time that the CGSB finalizes its standard, the following interim definition would be used to administer the exemption:
  - biodiesel means the ester-based oxygenated fuel derived from soybean oil, or other vegetable oils or animal fat, that may be used as fuel or as a fuel additive with petroleum-based diesel fuel.

Retail Sales Tax Act

- It is proposed that the retail sales tax rebate for alternative fuel vehicles of up to $1,000 per vehicle include qualifying electric-hybrid light trucks and sport utility vehicles delivered after June 17, 2002.
- It is proposed that owners or operators of places of amusement may donate admissions tickets exempt of retail sales tax to registered charities effective for tickets donated after June 17, 2002.
- Legislation will be introduced to confirm the application of the retail sales tax exemption for ready-mixed concrete used on-site to make integral component parts of production machinery and equipment under terms and conditions as prescribed by the Minister. The legislation would be effective for purchases made after June 17, 2002.
- The 2001 Budget announced a commitment to consult with taxpayers on simpler and more effective retail sales tax definitions and rules for computer software. The consultations identified potential options for improving both policy and administrative effectiveness. As a next step, draft legislation will be posted on the Ministry's Web site for industry comment with a view to introducing necessary amendments in the Legislature this fall. The effective date proposed for the amendments is the release date of the draft legislation.
- Legislation will be introduced to confirm that exempt food products that are packaged with taxable premiums may be purchased exempt of retail sales tax under specified circumstances.
- Amendments will be proposed in the fall to improve compliance by motor vehicle dealers with outstanding retail sales tax accounts.

Other Technical Measures

Various other amendments will be proposed to the following Ontario statutes:

- *Assessment Act*
- *Business Corporations Act*
- *Community Small Business Investment Funds Act*
- *Corporations Tax Act*
- *Education Act*
- *Electricity Act, 1998*
- *Employer Health Tax Act*
- *Fuel Tax Act*
- *Gasoline Tax Act*
- *Highway Traffic Act*
- *Income Tax Act*
- *Land Transfer Tax Act*
- *Mining Tax Act*
- *Municipal Act*
- *Municipal Act, 2001*
- *Municipal Tax Assistance Act*
- *Retail Sales Tax Act*
- *Taxpayer Protection Act*
- *Tobacco Tax Act*

Proposed Revenue Changes: 2002 Budget Impact Summary	2002-03 ($ Millions)	Full Year ($ Millions)
Personal Income Tax		
Reschedule completion of 20% Personal Income Tax cut	218	0
Reschedule increase in Equity in Education Tax Credit rate to 20%	15	0
Enrich Ontario Tax Reduction	(5)	(20)
Corporations Tax		
Reschedule remaining steps of Corporate Income Tax rate cuts	11	0
Property Tax		
Reschedule remaining steps of Business Education Property Tax cut	14	0
Reschedule completion of Residential Education Property Tax cut	69	0
Tobacco Taxation	460	560
Technical Measures	(13)	(35)
Total Revenue Changes	**769**	**505**

PAPER D

Ontario's Financing Plan

Highlights

- Through the Ontario Financing Authority (OFA), the Province intends to raise $12.7 billion in long-term public borrowing for 2002-03, primarily to refinance maturing debt. This will include proceeds from the eighth annual Ontario Savings Bond campaign in June. The Province has already completed $2.3 billion of the 2002-03 borrowing program.

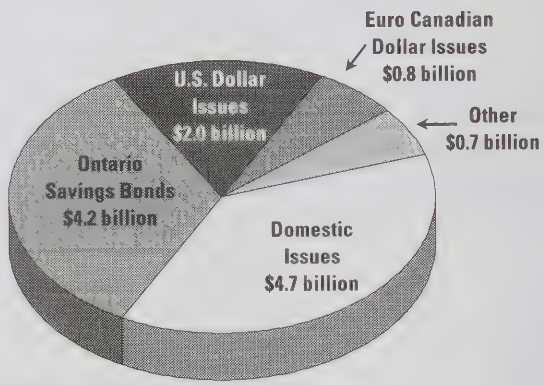
- The Province's 2001-02 long-term public borrowing program of $12.3 billion was completed in a cost-effective manner. As a strong and stable credit, Ontario benefited from preferred access to the fixed income markets, despite uncertain market conditions during 2001-02.

- On July 4, 2001, Dominion Bond Rating Service (DBRS) upgraded Ontario's AA (low) long-term debt rating to AA. This was the third consecutive rating improvement from DBRS. On July 17, 2001, Moody's confirmed Ontario's rating at Aa3 and maintained the positive outlook on the Province's rating. On December 4, 2001, Standard and Poor's (S&P) confirmed the Province of Ontario's AA debt rating.

2001-02 Borrowing Program

- The Province's long-term public borrowing program for 2001-02 was $12.3 billion. Public borrowing was $3.2 billion higher than in the 2001-02 Budget Plan mainly due to:
  - $0.6 billion increase in early redemptions of debt;
  - $2.2 billion lower-than-anticipated decline in cash because of favourable long-term borrowing opportunities; and
  - $1.1 billion less borrowing than anticipated from the Canada Pension Plan (CPP) because public borrowing alternatives were less expensive than borrowing from the CPP;
  - these three items were partially offset by a $0.6 billion decrease in non-cash items included in the surplus.
- The domestic market was the main funding source for the Province in 2001-02, with over 80 per cent of the borrowing program raised in Canadian dollars. The Province adapted to changing market conditions and met investor demand through a variety of cost-effective financing approaches:
  - Ontario launched over 35 smaller-sized issues via its domestic Medium Term Note (MTN) program, raising $2.2 billion.
  - The OFA conducted three bond auctions, two of which raised funds for the Ontario Electricity Financial Corporation. These auctions raised $0.8 billion and saved approximately $1.5 million in commission costs.

2001-02 Long-Term Borrowing



Excludes debt buybacks.
Numbers may not add due to rounding.
Source: Ontario Financing Authority.

- Ontario was also successful in accessing markets outside Canada. The Province issued a number of U.S. dollar Global issues and its first Yankee bond issue in over 10 years, raising the equivalent of almost $2.0 billion in Canadian dollars and achieving funding costs below those available in the Canadian domestic market.
- The Province also issued seven Euro Canadian dollar bond issues launched under the Euro Medium Term Note (EMTN) program, raising $0.8 billion.
- The 2001 Ontario Savings Bond campaign raised $4.2 billion, a Canadian provincial record.
- In 2001-02, the Province purchased and retired $435 million of several Ontario debt issues, replacing them with similar amounts of debt issued at more favourable rates.

2002-03 Borrowing Program

Financial Summary
($ Billions)

	2001-02 Budget Plan	2001-02 Interim	2002-03 Budget Plan
Surplus	0.1	0.1	-
Adjustments for:			
Non-Cash Items Included in Surplus	(2.3)	(1.7)	(2.9)
Amortization of Tangible Capital Assets*	-	-	0.7
Acquisitions of Tangible Capital Assets*	-	-	(1.4)
Maturities of Debt**	(9.6)	(9.5)	(11.7)
Early Redemptions of Debt	(1.0)	(1.6)	(1.2)
Canada Pension Plan Borrowing	1.1	-	0.7
Decrease/(Increase) in Cash and Cash Equivalents	2.6	0.4	3.0
Increase/(Decrease) in Short-Term Borrowing	-	0.2	-
Other Sources/(Uses) of Cash***	-	(0.1)	-
Long-Term Public Borrowing Requirement	**9.1**	**12.3**	**12.7**
Completed			**2.3**
Remaining			**10.4**

Note: Numbers may not add due to rounding.
* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.
** Maturities of debt are lower than the 2001-02 Budget Plan due to the Province exercising its options on extendible bonds.
*** Includes net repayment from, or loans to, agencies and an increase or decrease in deposits with the Province of Ontario Savings Office.

- The Province's total long-term public borrowing for 2002-03 is projected at $12.7 billion, of which $11.7 billion is to refinance maturing debt, $1.2 billion is a provision for early redemptions of debt, $2.9 billion is related to adjustments for non-cash items included in the surplus, and $1.4 billion is related to acquisitions of tangible capital assets. These requirements are partially offset by a decrease in cash of $3.0 billion and the amortization of tangible capital assets of $0.7 billion.
- To date, the Province has completed $2.3 billion of the 2002-03 borrowing program.
- The domestic market will remain the main borrowing source for the Province, including the eighth annual Ontario Savings Bond campaign. The Province will continue to monitor foreign markets for cost-effective borrowing opportunities.
- Up to $0.7 billion may be borrowed from the Canada Pension Plan, if it is cost-effective.

OEFC's Borrowing Program

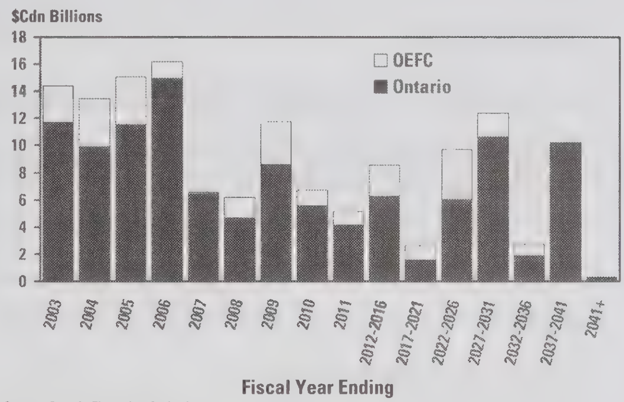
The Ontario Electricity Financial Corporation (OEFC) is the agency of the Province responsible for the servicing and management of the former Ontario Hydro's debt, derivative contracts and certain other liabilities. OEFC's debt is guaranteed by the Province. As OEFC does not have its own credit rating, the Province borrows on its behalf. In return, OEFC issues debt to the Province.

- For 2001-02, the Province met OEFC's borrowing requirements of \$3.4 billion by issuing \$1.8 billion in long-term debt and \$1.6 billion in short-term debt.
- OEFC's debt maturities for 2002-03 are \$2.7 billion.

Debt Maturities

- Ontario has significant amounts of debt maturing over the next few years. These maturities were created by a significant run-up in debt issuance by both the former government and the former Ontario Hydro in the early 1990s.
- In 2001-02, the total amount of maturing debt for the Province and OEFC was $13.8 billion. In 2002-03, maturities total $14.4 billion.
- In managing these maturities, the Province will maintain a flexible financing approach and monitor domestic and international bond markets continuously, seeking out the most cost-effective borrowing opportunities.
- The Province will also continue to aim for a balanced maturity profile and take advantage of cost-effective opportunities to schedule maturities into years that currently have lower levels of maturing debt.

Debt Maturity Profile



Source: Ontario Financing Authority.

Debt Management Policies

The Province manages its debt by adhering to prudent risk management policies to mitigate its exposures to these risks, while maintaining the needed flexibility in its borrowing and debt management programs.

- The Province's exposure to unhedged foreign currencies is limited to five per cent of outstanding debt. As of March 31, 2002, the Province's foreign exchange exposure was 1.5 per cent of outstanding debt.
- As of March 31, 2002, interest rate reset exposure was 12.5 per cent of outstanding debt. Interest rate reset exposure is the combination of net floating rate exposure (i.e., gross floating rate exposure less liquid reserves) and all fixed rate debt maturing within the next 12 months. The Province limits itself to having a maximum interest rate reset exposure of 25 per cent of debt.
- When issuing debt, the Province aims for a balanced maturity profile to diversify the interest rate risk inherent in refinancing maturing and floating-rate debt.
- Liquid reserves are maintained at levels sufficient to ensure the government can meet its short-term financial obligations. Ontario's Treasury Bill and U.S. Commercial Paper programs are also available to meet additional liquidity needs if required.
- Credit risk arises when the Province invests its liquid reserves and when it carries out debt management activities to mitigate risks associated with new borrowing and outstanding debt. To lower credit risk, the Province limits itself to undertaking transactions only with the federal and provincial governments and non-government counterparties with high credit quality.

PAPER D Appendix: Financial Tables

NET PROVINCIAL DEBT

TABLE I (A)

Interim 2002[1]

($ Millions)

	1998	1999	2000	2001	Interim 2002	Plan 2003
Debt Issued for Provincial Purposes[2]						
Non-Public Debt						
Minister of Finance of Canada:						
Canada Pension Plan Investment Fund	$ 11,358	$ 10,487	$ 10,369	$ 10,442	$ 10,063	$ 8,827
Ontario Teachers' Pension Fund	13,822	13,213	12,252	11,535	11,043	10,387
Ontario Municipal Employees Retirement Fund	697	666	622	569	502	266
Canada Mortgage and Housing Corporation	1,246	1,208	1,181	1,147	1,100	1,066
Public Service Pension Fund	3,681	3,604	3,535	3,446	3,331	3,200
Ontario Public Service Employees' Union Pension Fund (OPSEU)	1,749	1,712	1,679	1,637	1,582	1,520
Colleges of Applied Arts and Technology Pension Plan	91	89	86	81	73	43
Ryerson Retirement Pension Plan	9	8	8	7	6	5
	$ 32,653	$ 30,987	$ 29,732	$ 28,864	$ 27,700	$ 25,314
Publicly Held Debt						
Debentures and Bonds[3]	$ 68,199	$ 72,464	$ 72,549	$ 73,279	$ 76,502	$ 77,012
Treasury Bills	675	950	3,002	2,680	2,118	2,118
U.S. Commercial Paper[3]	—	272	396	523	809	809
Other	455	460	458	447	447	444
	$ 69,329	$ 74,146	76,405	$ 76,929	$ 79,876	$ 80,383
Total Debt Issued for Provincial Purposes	$ 101,982	$ 105,133	$ 106,137	$ 105,793	$ 107,576	$ 105,697
Debt Issued for Investment in Electricity Sector[4]	$ —	$ —	$ 8,885	$ 8,885	$ 8,885	$ 8,885
Deposits with the Province of Ontario Savings Office	$ 2,245	$ 2,517	$ 2,812	$ 2,482	$ 2,444	$ 2,500
Other Liabilities[5]	21,995	19,237	19,403	16,798	$ 15,600	$ 15,825
Total Liabilities:	$ 126,222	$ 126,887	$ 137,237	$ 133,958	$ 134,505	$ 132,907
Less: Financial Assets[6]	$ (13,487)	$ (12,150)	$ (23,522)	$ (23,324)	$ (23,998)	$ (22,411)
Net Provincial Debt	**$ 112,735**	**$ 114,737**	**$ 113,715[6]**	**$ 110,634[7]**	**$ 110,507**	**$ 110,496**

Source: Ontario Ministry of Finance.

(1) The definition of Net Provincial Debt for 2002-03 has been adjusted to include the Net Investment in Capital Assets. For all other years, Net Provincial Debt represents total Liabilities less Financial Assets. Prepared on the basis of modified accrual and consolidation accounting.

(2) Includes debt issued by Government Organizations.

(3) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.

(4) Debt issued for Investment in Electricity Sector comprises notes payable to Ontario Electricity Financial Corporation as a result of a debt for equity swap between the Province and its two wholly owned subsidiaries, Ontario Power Generation Inc. and Hydro One Inc.

(5) Other Liabilities include Accounts Payable, Accrued Liabilities and Pensions.

(6) Financial Assets include Cash and Temporary Investments, Accounts Receivable and Investment in Government Enterprises (including $8,885 million of investment in Electricity Sector).

(7) For more information on Net Provincial Debt, please see 2000-01 Public Accounts of Ontario, Statement of Financial Position.

DEBT MATURITY SCHEDULE
Interim 2002[1]

TABLE I(B)
($ Millions)

	Debt Issued for Provincial Purposes[2]			Debt Issued by Province for OEFC Purposes[4]	Total
Year Ending March 31	**Publicly Held Debt[3]**	**Non-Public Debt**	**Sub-Total**		
2003	12,143[5]	2,386	14,529	3,796[5]	18,325
2004	5,639	2,544	8,183	350	8,533
2005	9,118	2,239	11,357	3,250	14,607
2006	12,659	2,593	15,252	500	15,752
2007	5,382	1,885	7,267	119	7,386
0-5 years	44,941	11,647	56,588	8,015	64,603
6-10 years	14,673	10,557	25,230	3,166	28,396
11-15 years	289	3,290	3,579	1,050	4,629
16-20 years	51	2,162	2,213	-	2,213
21-25 years	7,430	44	7,474	134	7,608
26-50 years	12,492	-	12,492	601	13,093
	79,876	**27,700**	**107,576**	**12,966[6]**	**120,542**

(1) Prepared on the basis of modified accrual and consolidation accounting.

(2) Includes debt issued by Government Organizations.

(3) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.

(4) This debt is offset by bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.

(5) Includes: Province—$2,118 million in Treasury Bills and $809 million in U.S. Commercial Paper, OEFC—$2,990 million in Treasury Bills and $758 million in U.S. Commercial Paper.

(6) In addition, the Province has advanced to OEFC an overnight loan of $248 million.

SUMMARY OF ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC) INTERIM DEBT

TABLE I(C) ($ Millions)

Currency	Canadian Dollar	U.S. Dollar	Japanese Yen	31-Mar-02 Total	31-March-01 Total
Fiscal Year					
2002	-	-	-	-	5,275
2003	5,786	758	-	6,544	2,617
2004	1,601	-	65	1,666	1,813
2005	3,250	-	-	3,250	2,700
2006	1,000	-	-	1,000	1,000
2007	119	-	-	119	-
1-5 years	11,756	758	65	12,579	13,405
6-10 years	4,529	1,546	-	6,075	8,653
11-15 years	2,811	1,195	-	4,006	1,831
16-20 years	484	-	-	484	1,079
21-25 years	3,175	-	-	3,175	3,558
26-50 years	3,045	-	-	3,045	2,040
	25,800	3,499	65	29,364	30,566

OEFC Debt Statistics

As at March 31 ($ Millions)	1999	2000	2001	Interim 2002	Plan 2003
Debt issued by the Province for OEFC (formerly Ontario Hydro)	4,248	9,647	11,195	13,214 [(1)]	15,300
Debt guaranteed by the Province	26,238	21,691	19,371	16,150	13,500
Total OEFC Debt	30,486	31,338	30,566	29,364	28,800

(1) Includes an overnight loan of $248 million from the Province to OEFC.

DESCRIPTION OF DERIVATIVE FINANCIAL INSTRUMENTS Table I(D)

The table below presents a preliminary maturity schedule of the Province's derivative financial instruments, by type, outstanding at March 31, 2002, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts, are not indicative of credit or market risk and are not representative of actual cash flows.

The Province has sizable financing requirements, largely to refinance maturing indebtedness. To meet these financing requirements in the most cost-effective manner, the Province has issued a variety of debt instruments in domestic and international markets. To take advantage of favourable interest rates, the Province issues debt instruments that are repayable in several currencies other than Canadian dollars.

Derivatives are financial contracts, the value of which is derived from underlying assets. The Province uses derivatives for the purpose of hedging and to minimize interest and currency exchange costs. Hedges are created primarily through swaps, which are legal arrangements, the effect of which is that each party agrees to exchange, with another party, cash flows on a notional amount during a specified period in order to offset or effectively convert its existing obligations. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

DERIVATIVE PORTFOLIO NOTIONAL VALUE

as at March 31, 2002 ($ Millions)

Maturity in Fiscal Year	2003	2004	2005	2006	2007	6-10 Years	Over 10 Years	Interim 2002 Total	2000-01 Total
Swaps:									
Interest rate	10,068	2,646	3,928	10,508	1,987	11,491	1,561	42,189	40,357
Cross currency	8,443	3,699	4,174	6,889	1,540	5,228	-	29,973	33,445
Forward foreign exchange contracts	1,312	-	-	-	-	-	-	1,312	1,090
Futures	171	-	-	-	-	-	-	171	769
	$ 19,994	$ 6,345	$ 8,102	$ 17,397	$ 3,527	$ 16,719	$ 1,561	$ 73,645	$ 75,661

Definitions:

Notional value: represents the volume of outstanding contracts. It does not represent cash flows.

Swap: a legal arrangement, the effect of which is that each of the parties (the counterparty) takes responsibility for a financial obligation incurred by the other counterparty. An interest rate swap exchanges floating interest payments for fixed interest payments or vice versa. A cross-currency swap exchanges principal and interest payments in one currency for cash flows in another currency.

Forward foreign exchange contract: an agreement between two parties to set exchange rates in advance.

Future: a contract that confers an obligation to buy/sell a commodity at a specified price and amount on a future date.

The Province also limits its credit risk exposure on derivatives by entering into contractual agreements that provide for netting arrangements with virtually all of its counterparties, which enables it to settle derivative contracts on a net basis in the event of a counterparty default.

Schedule of Outstanding Debt Issued by the Province of Ontario — TABLE II

Interim as at March 31, 2002

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
			Debt Issued for Provincial Purposes			
PAYABLE IN CANADA IN CANADIAN DOLLARS						
NON-PUBLIC DEBT						
To Minister of Finance of Canada						
Canada Pension Plan Investment Fund:						
Year ending March 31						
2003	1983	CPP	12.01 to 16.53	1,235,751,000	1,235,751,000	
2004	1984	CPP	10.92 to 12.14	1,200,847,000	1,200,847,000	
2005	1985	CPP	12.08 to 14.06	1,133,182,000	1,133,182,000	
2006	1986	CPP	10.58 to 12.57	1,213,502,000	1,213,502,000	
2007	1987	CPP	9.36 to 10.17	232,269,000	232,269,000	
2008	1988	CPP	10.79	42,300,000	42,300,000	
2012	1992	CPP	9.81 to 10.04	987,249,000	987,249,000	
2013	1993	CPP	9.17 to 9.45	700,137,000	700,137,000	
2019	1999	CPP	5.81 to 5.84	45,270,000	45,270,000	
2020	1999	CPP	5.5 to 6.91	869,889,000	869,889,000	
2021	2000	CPP	6.33 to 6.67	609,834,000	609,834,000	
2022	2001	CPP	6.17 to 6.47	389,955,000	389,955,000	
					8,660,185,000	
Issued by Government Organizations						
2009	1989	CPP	9.15 to 10.31	310,439,000	310,439,000	
2010	1990	CPP	9.78 to 11.33	925,157,000	925,157,000	
2011	1991	CPP	9.81 to 10.04	91,630,000	91,630,000	
2012	1992	CPP	9.00 to 9.45	75,135,000	75,135,000	
					1,402,361,000	
Total to Canada Pension Plan Investment Fund					**10,062,546,000**	(5)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
To Ontario Teachers' Pension Fund:						
Year ending March 31						
2003	1978-1991	TI	9.82 to 10.53	655,570,855	655,570,855	
2004	1982-1984	TI	12.88 to 13.34	900,000,000	900,000,000	
2005	1984-1991	TI	12.60 to 13.27	821,000,000	821,000,000	
2006	1985-1991	TI	11.07 to 14.40	1,070,000,000	1,070,000,000	
2007	1985-1991	TI	10.26 to 13.01	1,185,000,000	1,185,000,000	
2008	1983-1991	TI	10.15 to 15.38	1,945,000,000	1,945,000,000	
2009	1986-1991	TI	10.98 to 11.50	1,465,000,000	1,465,000,000	
2010	1986-1991	TI	10.22 to 11.24	1,236,000,000	1,236,000,000	
2011	1987	TI	10.11 to 10.32	560,000,000	560,000,000	
2012	1988-1991	TI	10.68 to 11.24	580,000,000	580,000,000	
2013	1989-1991	TI	11.06 to 11.31	625,000,000	625,000,000	
					11,042,570,855	(1)
To Ontario Municipal Employees Retirement Fund:						
Year ending March 31						
2003	1996	MER	8.02 to 10.28	235,259,824	235,259,824	
2004	1996	MER	9.45	163,695,000	163,695,000	
2007	1996	MER	9.77	102,675,000	102,675,000	
					501,629,824	(1)(38)
To Colleges of Applied Arts & Technology Pension Plan:						
Year ending March 31						
2003	1996	CAAT	8.02 to 10.28	30,540,176	30,540,176	
2004	1996	CAAT	9.45	24,255,000	24,255,000	
2007	1996	CAAT	9.77	18,625,000	18,625,000	
					73,420,176	(1)(38)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
To Ryerson Retirement Pension Plan:						
Year ending March 31						
2003	1995	RRPF	14.65	926,036	926,036	
2004	1995	RRPF	12.78	1,081,061	1,081,061	
2005	1995	RRPF	13.33	1,229,597	1,229,597	
2006	1995	RRPF	11.16	1,464,199	1,464,199	
2007	1995	RRPF	9.64	1,618,485	1,618,485	
					6,319,378	(1)
To Canada Mortgage and Housing Corporation:						
Year ending March 31						
2000-2003	1971 to 1978	CMHC	5.375	688,415	45,171	
2000-2004	1974 to 1975	CMHC	5.125 to 7.875	1,296,489	156,150	
2000-2005	1971 to 1975	CMHC	5.125 to 8.625	2,754,646	575,867	
2000-2006	1973 to 1976	CMHC	5.125 to 10.375	2,200,837	727,377	
2000-2007	1974 to 1977	CMHC	5.375 to 10.375	6,049,712	2,418,139	
2000-2010	1970 to1975	CMHC	5.75 to 6.875	4,312,601	1,746,142	
2000-2011	1971 to 1976	CMHC	5.375 to 8.25	5,876,136	3,080,533	
2000-2012	1972	CMHC	6.875 to 8.25	7,281,714	3,978,011	
2000-2013	1973	CMHC	7.25 to 8.25	1,252,053	745,158	
2000-2014	1974	CMHC	6.125 to 8.25	19,734,125	12,039,589	
2000-2015	1975	CMHC	7.50 to 10.375	11,488,523	7,510,952	
2000-2016	1976	CMHC	5.375 to 10.75	22,775,312	15,995,278	
2000-2017	1977	CMHC	7.625 to 10.75	15,797,368	11,869,688	
2000-2018	1977 to 1978	CMHC	7.625 to 13.00	38,133,367	30,437,838	
2000-2019	1977 to 1980	CMHC	7.625 to 15.25	41,958,001	34,604,779	
2000-2020	1978 to 1980	CMHC	7.625 to 15.75	65,976,661	55,380,456	
2000-2021	1981	CMHC	9.50 to 15.75	30,946,135	26,625,601	
2000-2022	1982	CMHC	9.75 to 15.75	1,177,064	1,052,865	
					208,989,594	(2)(7)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
Issued by Government Organizations						
2003	N/A	CMHC	5.125 to 7.98		3,305	
2004	N/A	CMHC	5.2068 to 7.98		19,645	
2005	N/A	CMHC	5.125 to 7.98		18,745	
2006	N/A	CMHC	4.25 to 7.98		53,868	
2007	N/A	CMHC	4.6739 to 7.98		248,175	
2008	N/A	CMHC	5.875 to 7.98		193,415	
2009	N/A	CMHC	5.375 to 7.98		157,760	
2010	N/A	CMHC	6.4598 to 7.98		797,612	
2011	N/A	CMHC	6.4159 to 7.98		7,219,691	
2012	N/A	CMHC	5.2994 to 7.98		370,738	
2013	N/A	CMHC	5.375 to 7.98		5,526,914	
2014	N/A	CMHC	5.6206 to 7.98		16,796,815	
2015	N/A	CMHC	5.822 to 7.98		15,521,331	
2016	N/A	CMHC	6.1388 to 7.98		42,257,255	
2017	N/A	CMHC	6.2491 to 7.98		65,763,871	
2018	N/A	CMHC	7.1327 to 7.98		54,428,570	
2019	N/A	CMHC	5.875 to 7.98		58,678,935	
2020	N/A	CMHC	6.25 to 7.98		187,995,632	
2021	N/A	CMHC	6.875 to 7.98		90,427,992	
2022	N/A	CMHC	6.875 to 8.25		98,464,214	
2023	N/A	CMHC	6.089 to 7.98		77,120,083	
2024	N/A	CMHC	6.089 to 7.98		63,652,166	
2025	N/A	CMHC	6.089 to 7.98		56,261,858	
2026	N/A	CMHC	6.089 to 7.98		22,383,246	
2027	N/A	CMHC	6.089		22,798,113	
2028	N/A	CMHC	6.089		3,460,312	
					890,620,261	(7)
Total to Canada Mortgage and Housing Corporation					**1,099,609,855**	

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
To Public Service Pension Fund:						
Year ending March 31						
2003	1997	OPB	9.81 to 16.95	128,554,996	64,277,498	
2004	1997	OPB	9.50 to 14.65	134,530,331	134,530,331	
2005	1997	OPB	9.82 to 12.78	160,431,479	160,431,479	
2006	1997	OPB	11.05 to 13.33	172,212,515	172,212,515	
2007	1997	OPB	11.16 to 13.33	188,766,466	188,766,466	
2008	1997	OPB	15.38	218,362,903	218,362,903	
2009	1997	OPB	12.79	264,512,886	264,512,886	
2010	1997	OPB	12.88	273,669,452	273,669,452	
2011	1997	OPB	13.33	282,994,558	282,994,558	
2012	1997	OPB	11.55	336,229,108	336,229,108	
2013	1997	OPB	10.38	374,479,804	374,479,804	
2014	1997	OPB	11.10	409,677,031	409,677,031	
2015	1997	OPB	11.19	450,938,707	450,938,707	
					3,331,082,738	(1)(23)(65)
To Public Service Employees' Union Pension Fund:						
Year ending March 31						
2003	1997	OPPT	9.81 to 16.91	61,070,644	30,535,322	
2004	1997	OPPT	9.50 to 14.65	63,909,254	63,909,254	
2005	1997	OPPT	9.82 to 12.78	76,213,714	76,213,714	
2006	1997	OPPT	11.05 to 13.33	81,810,350	81,810,350	
2007	1997	OPPT	11.16 to 13.33	89,674,381	89,674,381	
2008	1997	OPPT	15.38	103,734,305	103,734,305	
2009	1997	OPPT	12.79	125,658,067	125,658,067	
2010	1997	OPPT	12.88	130,007,936	130,007,936	
2011	1997	OPPT	13.33	134,437,870	134,437,870	
2012	1997	OPPT	11.55	159,727,189	159,727,189	
2013	1997	OPPT	10.38	177,898,359	177,898,359	
2014	1997	OPPT	11.10	194,618,964	194,618,964	
2015	1997	OPPT	11.19	214,220,513	214,220,513	
					1,582,446,224	(1)(23)(65)
TOTAL NON-PUBLIC DEBT ISSUED					**27,699,625,050**	

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PAYABLE IN CANADA IN CANADIAN DOLLARS						
PUBLICLY HELD DEBT						
Apr. 22, 2003	Dec. 29, 1992	HG	8.75	750,000,000	750,000,000	(1)
July 13, 2003	Jan. 13, 2000	NB	Floating	100,000,000	100,000,000	(8)
Sept. 16, 2003	Sept. 16, 1998	MA	Floating	100,000,000	100,000,000	(1)(73)
June 2, 2004	Feb. 3, 2000	MG	4.875	200,000,000	189,850,000	(1)(97)
June 4, 2004	Oct. 4, 2001	DMTN20	Floating	75,500,000	75,500,000	(1)(102)
June 11, 2004	Oct. 11, 2001	DMTN21	Floating	50,000,000	50,000,000	(1)(100)
Sept. 15, 2004	June 21, 1994	HU	9.00	1,450,000,000	1,450,000,000	(1)
Dec. 2, 2004	Oct. 28, 1999	MV	6.40	107,000,000	107,000,000	(34)
Mar. 1, 2005	Mar. 1, 2002	DMTN38	Floating	50,000,000	50,000,000	(115)
Mar. 8, 2005	Dec. 10, 1999	MZ	6.25	1,000,000,000	1,250,000,000	(1)(106)
May 13, 2005	May 13, 1999	ML	5.85	50,000,000	50,000,000	(44)
Dec. 1, 2005	Sept. 13, 1995	JP	8.25	1,000,000,000	1,000,000,000	(1)
Feb. 1, 2006	Feb. 1, 1999	MJ	5.00	90,000,000	90,000,000	(1)
Feb. 1, 2006	Feb. 1, 2002	DMTN34	Floating	500,000,000	500,000,000	(1)(105)
Feb. 20, 2006	Feb. 20, 1996	JZ	0.00 - 17.25	107,000,000	107,000,000	(1)(40)
Mar. 8, 2006	Oct. 26, 2000	NL	5.90	500,000,000	1,000,000,000	(1)(107)
July 20, 2006	July 20, 2001	DMTN6	Step-Up	45,000,000	45,000,000	(3)
July 24, 2006	July 24, 1996	KE	7.75	600,000,000	593,800,000	(1)(39)
Aug. 21, 2006	Aug. 21, 2001	DMTN9	Step-Up	25,000,000	25,000,000	(22)
Sept. 5, 2006	Sept. 5, 2001	DMTN12	Step-Up	25,000,000	25,000,000	(26)
Sept. 11, 2006	Sept. 11, 2001	DMTN13	Step-Up	30,000,000	30,000,000	(36)
Sept. 11, 2006	Sept. 11, 2001	DMTN14	6.25	125,000,000	125,000,000	(32)
Nov. 28, 2006	Nov. 28, 2001	DMTN25	Step-Up	25,000,000	25,000,000	(94)
Dec. 12, 2006	Dec. 12, 2001	DMTN27	Step-Up	25,000,000	25,000,000	(88)
Jan. 12, 2007	Jan. 12, 1995	JF	9.50	200,000,000	132,950,000	(1)(21)
Feb. 12, 2007	Feb. 12, 2002	DMTN35	Step-Up	50,000,000	50,000,000	(108)
Feb. 20, 2007	Nov. 20, 2001	DMTN24	Floating	100,000,000	100,000,000	(95)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding Issue ($)	Reference
PUBLICLY HELD DEBT - Continued						
Mar. 1, 2007	Mar. 1, 2002	DMTN36	Step-Up	35,000,000	35,000,000	(113)
Mar. 8, 2007	Sept. 11, 2001	DMTN16	5.20	1,000,000,000	997,100,000	(1)(97)
Mar. 19, 2007	Mar. 19, 2002	DMTN41	Step-Up	25,000,000	25,000,000	(118)
June 4, 2007	Dec. 4, 2001	DMTN28	Step-Up	30,000,000	30,000,000	(72)
June 18, 2007	Dec. 18, 2001	DMTN31	Step-Up	33,000,000	33,000,000	(111)
June 21, 2007	Jan. 21, 2002	DMTN32	Step-Up	35,000,000	35,000,000	(112)
Aug. 27, 2007	Aug. 27, 2001	DMTN11	Step-Up	25,000,000	25,000,000	(42)
Sept. 12, 2007	Sept. 12, 1997	LE	6.125	1,100,000,000	1,145,000,000	(1)(39)(49)
Dec. 10, 2007	Dec. 10, 1997	LH	5.875	125,000,000	66,475,000	(1)(109)
June 3, 2008	June 3, 1999	MN	Floating	50,000,000	50,000,000	(46)
July 15, 2008	Feb. 6, 1998	LM	5.50	75,000,000	75,000,000	(1)
Sept. 4, 2008	Sept. 4, 1998	LW	6.30	50,000,000	50,000,000	(1)
Sept. 17, 2008	Sept. 17, 2001	DMTN15	Step-Up	38,000,000	38,000,000	(52)
Oct. 22, 2008	Oct. 22, 2001	DMTN22	Step-Up	25,000,000	25,000,000	(99)
Dec. 1, 2008	Mar. 5, 2002	DMTN39	Floating	150,000,000	150,000,000	(116)
Dec. 1, 2008	Sept. 15, 1998	LZ	5.70	1,550,000,000	1,547,110,000	(1)(97)
Dec. 5, 2008	Dec. 5, 2001	DMTN30	Floating	50,000,000	50,000,000	(110)
Mar. 18, 2009	Mar. 18, 2002	DMTN40	Step-Up	30,000,000	30,000,000	(117)
Apr. 1, 2009	Apr. 9, 1998	LR	6.15	205,000,000	205,000,000	(87)
July 27, 2009	July 27, 1999	MR	5.75 - 6.50	40,000,000	40,000,000	(25)
Sept. 4, 2009	Sept. 4, 1997	LD	6.00 - 7.625	75,000,000	75,000,000	(71)
Oct. 3, 2009	Oct. 3, 2001	DMTN19	Step-Up	33,000,000	33,000,000	(103)
Nov. 19, 2009	Mar. 19, 1999	MU	6.20	1,000,000,000	1,000,000,000	(1)
Mar. 4, 2010	Mar. 4, 2002	DMTN37	Step-Up	25,000,000	25,000,000	(114)
May 30, 2010	May 30, 2001	DMTN4	Step-Up	50,000,000	50,000,000	(59)
June 28, 2010	June 28, 2001	DMTN5	Step-Up	30,000,000	30,000,000	(68)
July 30, 2010	July 30, 2001	DMTN7	Step-Up	25,000,000	25,000,000	(70)
Nov. 19, 2010	Nov. 24, 2000	NK	6.10	1,620,000,000	1,620,000,000	(1)(74)
Sept. 28, 2011	Sept. 28, 2001	DMTN17	Step-Up	40,000,000	40,000,000	(104)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PUBLICLY HELD DEBT - Continued						
Oct. 5, 2011	Oct. 5, 2001	DMTN18	Step-Up	40,000,000	40,000,000	(101)
Oct. 30, 2011	Oct. 30, 2001	DMTN23	Step-Up	35,000,000	35,000,000	(16)
Nov. 29, 2011	Nov. 29, 2001	DMTN26	Step-Up	50,000,000	50,000,000	(89)
Dec. 2, 2011	Feb. 27, 2002	DMTN8	6.10	500,000,000	500,000,000	(1)(60)
Sept. 1, 2015	Sept. 1, 2000	DMTN1	6.25	34,000,000	34,000,000	(1)(45)
Sept. 4, 2020	Sept. 4, 1998	LY	6.30	50,000,000	50,000,000	
July 13, 2022	July 13, 1992	HC	9.50	1,850,000,000	1,685,720,000	(1)(53)
Sept. 8, 2023	Sept. 8, 1993	HP	8.10	1,350,000,000	1,350,000,000	(1)
June 2, 2025	Dec. 20, 1994	JE	9.50	500,000,000	500,000,000	(1)
Dec. 2, 2025	Oct. 5, 1995	JQ	8.50	1,000,000,000	1,000,000,000	(1)
Feb. 6, 2026	Feb. 6, 1996	JY	8.00	50,000,000	12,500,000	(1)
June 2, 2026	Dec. 21, 1995	JU	8.00	1,000,000,000	1,000,000,000	(1)
Dec. 2, 2026	Feb. 13, 1997	KR	8.00	425,000,000	386,500,000	(1)(18)
Dec. 2, 2026	Jan. 20, 1999	MH	7.00	124,584,000	124,584,000	(1)(90)
Feb. 3, 2027	Aug. 5, 1997	KN	7.50	300,000,000	62,600,000	
Feb. 3, 2027	Aug. 5, 1997	KT	6.95	200,000,000	34,275,000	
Feb. 3, 2027	Aug. 1, 1997	KY	7.50	68,000,000	11,549,000	(1)
Feb. 3, 2027	Dec. 4, 1998	LA	7.50	50,000,000	5,507,000	(1)
Feb. 4, 2027	Feb. 4, 1998	KQ	7.375	125,000,000	990,000	
June 2, 2027	Oct. 17, 1996	KJ	7.60	4,170,300,000	4,209,400,000	(1)(75)
Aug. 25, 2028	Feb. 25, 1998	LQ	6.25	645,243,000	2,020,000	(1)
Mar. 8, 2029	Jan. 8, 1998	LK	6.50	4,677,000,000	4,677,000,000	(1)
Jan. 13, 2031	Sept. 8, 1995	JN	9.50	125,000,000	125,000,000	(1)
June 2, 2031	Mar. 27, 2000	NF	6.20	1,000,000,000	1,000,000,000	(1)
Nov. 3, 2034	Nov. 3, 1994	HY	9.75	280,000,000	280,000,000	(1)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PUBLICLY HELD DEBT - Continued						
Jan. 10, 1995 to						
Jan. 10, 2035	Nov. 30, 1994	HZ	9.4688	189,616,626	2,315,904	(1)(24)(96)
" "	" "	JA	9.4688	24,766,559	18,177,469	(1)(24)(82)
" "	" "	JB	9.4688	8,482,324	8,482,324	(1)(24)
" "	" "	JC	9.4688	4,764,354	4,764,354	(1)(24)
" "	" "	JD	9.4688	3,171,134	3,171,134	(1)(24)
Feb. 8, 2035	Feb. 8, 1995	JJ	9.875	73,000,000	73,000,000	(19)
June 20, 2036	June 28, 1996	KC	8.25	211,000,000	211,000,000	(1)
June 20, 2038	Sept. 16, 1996	KG	8.10	120,000,000	120,000,000	(1)
July 13, 2038	July 29, 1998	LS	5.75	50,000,000	50,000,000	(1)
Aug. 25, 2038	Aug. 17, 1998	LT	6.00	100,000,000	100,000,000	(1)
July 13, 2039	Feb. 2, 1999	MK	5.65	250,000,000	300,000,000	(1)(77)
Dec. 2, 2039	Feb. 25, 2000	NE	5.70	263,700,000	553,700,000	(1)(78)
Dec. 2, 2041	Aug. 15, 2001	DMTN10	6.20	200,000,000	200,000,000	(1)
March 8, 2042	Dec. 4, 2001	DMTN29	6.00	41,000,000	41,000,000	(1)
June 2, 2042	Jan. 18, 2002	DMTN33	6.00	50,000,000	50,000,000	(1)
June 10, 2045	May 25, 1995	JL	8.435	35,531,176	35,531,176	(1)(41)
Mar. 1, 2045	Mar. 1, 1995	JK	9.50	150,000,000	150,000,000	(20)
					34,693,572,361	
ONTARIO SAVINGS BONDS						
Mar. 1, 2000	Mar. 1, 1995	Annual	Variable	789,297,500	3,948,700	(29)
Mar. 1, 2000	Mar. 1, 1995	Compound	Variable	817,902,500	6,605,450	(29)
June 21, 2000	June 21, 1997	Annual	Fixed	281,498,800	619,200	(29)
June 21, 2000	June 21, 1997	Compound	Fixed	168,756,600	333,800	(29)
June 21, 2001	June 21, 1996	Annual	Step-Up	279,338,000	2,264,300	(29)
June 21, 2001	June 21, 1996	Compound	Step-Up	337,518,000	5,904,400	(29)
June 21, 2001	June 21, 1996	Annual	Variable	219,990,000	952,900	(29)
June 21, 2001	June 21, 1996	Compound	Variable	194,579,100	1,024,600	(29)
June 21, 2001	June 21, 1998	Annual	Fixed	101,725,500	809,000	(29)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
ONTARIO SAVINGS BONDS - Continued						
June 21, 2001	June 21, 1998	Compound	Fixed	78,706,000	1,056,000	(29)
June 21, 2002	June 21, 1999	Annual	Fixed	160,184,700	164,087,100	(6)(30)(62)
June 21, 2002	June 21, 1999	Compound	Fixed	148,829,300	142,842,300	(30)(62)
June 21, 2003	June 21, 1998	Compound	Step-Up	404,053,600	251,425,300	(62)(92)
June 21, 2003	June 21, 1998	Annual	Step-Up	439,199,300	270,634,500	(62)(92)
June 21, 2003	June 21, 2000	Annual	Fixed	432,459,400	436,581,500	(6)(30)(62)
June 21, 2003	June 21, 2000	Compound	Fixed	362,585,200	356,804,400	(30)(62)(92)
June 21, 2004	June 21, 1997	Annual	Step-Up	447,763,300	446,472,900	(6)(62)(66)
June 21, 2004	June 21, 1997	Compound	Step-Up	451,525,200	365,084,300	(62)(66)
June 21, 2004	June 21, 1997	Annual	Variable	107,533,500	13,517,300	(62)(67)
June 21, 2004	June 21, 1997	Compound	Variable	80,484,400	11,979,500	(62)(67)
June 21, 2004	June 21, 1999	Compound	Step-Up	386,322,100	249,434,300	(62)(28)
June 21, 2004	June 21, 1999	Annual	Step-Up	350,043,000	238,368,500	(62)(28)
June 21, 2004	June 21, 2001	Annual	Fixed	707,248,700	707,567,800	(6)(30)(62)
June 21, 2004	June 21, 2001	Compound	Fixed	564,912,700	564,416,100	(30)(62)
June 21, 2005	June 21, 1998	Annual	Variable	495,453,600	102,744,400	(62)(81)
June 21, 2005	June 21, 1998	Compound	Variable	435,985,400	100,422,900	(62)(81)
June 21, 2005	June 21, 2000	Annual	Step-Up	711,832,300	700,401,000	(62)(48)
June 21, 2005	June 21, 2000	Compound	Step-Up	628,656,700	613,105,300	(62)(48)
June 21, 2006	June 21, 1999	Compound	Variable	447,350,800	103,501,100	(62)(81)
June 21, 2006	June 21, 1999	Annual	Variable	556,662,200	87,111,100	(62)(81)
June 21, 2006	June 21, 2001	Annual	Step-Up	874,090,000	874,195,300	(62)(6)(63)
June 21, 2006	June 21, 2001	Compound	Step-Up	1,102,279,700	1,101,944,400	(62)(63)
June 21, 2007	June 21, 2000	Compound	Variable	513,553,000	179,459,800	(62)(56)
June 21, 2007	June 21, 2000	Annual	Variable	731,472,600	175,055,100	(62)(56)
June 21, 2008	June 21, 2001	Annual	Variable	248,834,900	248,987,200	(62)(6)(64)
June 21, 2008	June 21, 2001	Compound	Variable	201,030,800	200,865,300	(62)(64)
					8,730,527,050	
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS					71,123,724,461	(1)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
GLOBAL MARKET PAYABLE IN CANADIAN DOLLARS						
Mar. 11, 2003	Mar. 11, 1993	HK	8.00	1,500,000,000	1,495,250,000	(97)
Dec. 8, 2003	July 20, 1993	HM	7.75	1,250,000,000	1,250,000,000	
Jan. 24, 2005	Jan. 24, 2000	NC	Floating	500,000,000	500,000,000	(50)
Jan. 19, 2006	Jan. 19, 1996	JV	7.50	1,250,000,000	1,240,000,000	(39)
Feb. 7, 2024	Feb. 7, 1994	HS	7.50	1,250,000,000	1,250,000,000	
TOTAL PAYABLE IN CANADIAN DOLLARS					5,735,250,000	(1)
PAYABLE IN EUROPE IN CANADIAN DOLLARS						
Nov. 27, 2003	Nov. 27, 1998	ME	5.00	250,000,000	250,000,000	
Sept. 27, 2005	Sept. 27, 1993	HQ	7.25	500,000,000	500,000,000	
Dec. 1, 2005	Dec. 1, 1999	EMTN045	6.50	325,000,000	375,000,000	(31)
Aug. 9, 2006	Aug. 9, 2001	EMTN049	5.75	100,000,000	100,000,000	
Dec. 31, 2007	Jan. 16, 2002	EMTN051	5.125	250,000,000	250,000,000	
Jan. 27, 2009	Jan. 27, 1999	EMTN042	5.00	250,000,000	350,000,000	(58)
Nov. 30, 2011	Nov. 30, 2001	EMTN050	5.25	300,000,000	300,000,000	
July 13, 2034	July 13, 1994	EMTN005	9.40	300,000,000	300,000,000	
TOTAL PAYABLE IN EUROPE IN CANADIAN DOLLARS					2,425,000,000	(1)
PAYABLE IN THE UNITED STATES IN CANADIAN DOLLARS						
Feb. 18, 2013	Feb. 18, 1993	HJ	9.24	250,000,000	250,000,000	
TOTAL PAYABLE IN THE UNITED STATES IN CANADIAN DOLLARS					250,000,000	(1)
PAYABLE IN THE UNITED STATES IN U.S. DOLLARS						
June 30, 2005	Mar. 13, 2002	NP	4.20	250,000,000	250,000,000	
TOTAL PAYABLE IN THE UNITED STATES IN U.S. DOLLARS					250,000,000	(1)
CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.5885					397,125,000	(10)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
GLOBAL MARKET PAYABLE IN U.S. DOLLARS						
June 4, 2002	June 4, 1992	HB	7.75	2,000,000,000	2,000,000,000	
Jan. 27, 2003	Jan. 27, 1993	HH	7.375	3,000,000,000	3,000,000,000	
June 22, 2004	June 22, 1994	HV	7.625	1,000,000,000	1,000,000,000	
Aug. 4, 2005	Aug. 4, 1995	JM	7.00	1,000,000,000	1,250,000,000	
Feb. 21, 2006	Feb. 21, 1996	KA	6.00	1,800,000,000	2,050,000,000	(86)
Oct. 1, 2008	Oct. 1, 1998	MB	5.50	1,000,000,000	1,750,000,000	(85)
TOTAL PAYABLE IN U.S. DOLLARS					11,050,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.36613					15,095,696,133	(43)
PAYABLE IN CANADA IN U.S. DOLLARS						
Apr. 24, 2005	Apr. 24, 1995	DMTN1	Floating	100,000,000	100,000,000	
May 1, 2005	May 1, 1995	DMTN2	Floating	100,000,000	100,000,000	
May 9, 2005	May 9, 1995	DMTN3	Floating	100,000,000	100,000,000	
May 16, 2005	May 16, 1995	DMTN4	Floating	100,000,000	100,000,000	
TOTAL PAYABLE IN CANADA IN U.S. DOLLARS					400,000,000	(35)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.36625					546,500,000	(9)
PAYABLE IN EUROPE IN U.S. DOLLARS						
June 12, 2003	Jan. 19, 2001	EMTN 47	Floating	100,000,000	100,000,000	
TOTAL PAYABLE IN EUROPE IN U.S. DOLLARS					100,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.5260					152,600,000	(11)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PAYABLE IN JAPAN IN JAPANESE YEN						
Jan. 28, 2003	Jan. 28, 1993	YL001	5.50	10,000,000,000	10,000,000,000	(1)
Mar. 24, 2003	Mar. 22, 1993	YL002	4.80	7,000,000,000	7,000,000,000	(1)
Aug. 25, 2003	Aug. 25, 1993	YL003	Floating	10,000,000,000	10,000,000,000	(1)(4)
Sept. 22, 2003	Sept. 22, 1993	YL004	5.20	10,000,000,000	10,000,000,000	(1)
July 6, 2004	July 6, 1994	YL005	4.40	10,000,000,000	10,000,000,000	(1)
July 21, 2004	July 21, 1994	YL006	4.53	10,000,000,000	10,000,000,000	(1)
Sept. 8, 2004	Sept. 7, 1994	YL008	4.71	7,000,000,000	7,000,000,000	(1)
Oct. 25, 2004	Oct. 25, 1994	YL009	5.00	10,000,000,000	10,000,000,000	(1)
Dec. 20, 2004	Dec. 20, 1994	YL010	4.80	5,000,000,000	5,000,000,000	(1)
Aug. 31, 2005	Aug. 31, 1995	YL011	3.10	25,000,000,000	25,000,000,000	(1)
Mar. 16, 2007	Mar. 18, 1997	KU	3.10	5,000,000,000	5,000,000,000	(1)(54)
Mar. 16, 2007	Mar. 18, 1997	KV	3.25	15,000,000,000	15,000,000,000	(1)(55)
July 18, 2007	July 18, 1997	YL012	2.615	10,000,000,000	10,000,000,000	(1)
Nov. 12, 2009	Nov. 12, 1999	YL014	2.00	10,000,000,000	10,000,000,000	(1)
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN					144,000,000,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.01254					1,805,815,195	(14)
GLOBAL MARKET PAYABLE IN JAPANESE YEN						
Jan. 25, 2010	Jan. 25, 2000	ND	1.875	50,000,000,000	50,000,000,000	
TOTAL PAYABLE IN JAPANESE YEN					50,000,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.01204					601,817,180	(82)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PAYABLE IN EUROPE IN JAPANESE YEN						
Mar. 15, 2005	Mar. 15, 1995	EMTN015	6.00	2,000,000,000	2,000,000,000	(33)
Sept. 8, 2005	Mar. 23, 1998	EMTN037	6.21	10,000,000,000	10,000,000,000	
Sept. 19, 2005	Sept. 4, 1998	EMTN038	6.205	10,000,000,000	10,000,000,000	
Aug. 29, 2006	Aug. 29, 1996	EMTN021	4.28	10,000,000,000	10,000,000,000	(57)
Mar. 26, 2007	Apr. 3, 1997	EMTN033	3.20	10,000,000,000	10,000,000,000	(47)
June 13, 2007	June 13, 1997	EMTN034	3.58	10,000,000,000	10,000,000,000	(79)
Feb. 25, 2008	Feb. 25, 1998	EMTN036	2.60	7,100,000,000	7,100,000,000	(80)
Nov. 19, 2009	Nov. 24, 1999	EMTN046	2.00	10,000,000,000	10,000,000,000	
TOTAL PAYABLE IN EUROPE IN JAPANESE YEN					69,100,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.01270					877,724,744	(15)
PAYABLE IN EUROPE IN EUROS						
Jan. 13, 2004	Jan. 13, 1994	HR	6.25	735,825,710	735,825,710	(120)
Sept. 27, 2004	Sept. 27, 1994	HX	7.75	181,512,086	181,512,086	(121)
Feb. 17, 2006	Feb. 17, 1999	EMTN043	3.50	27,000,000	27,000,000	(1)
July 29, 2008	July 29, 1996	KD	6.875	457,347,051	457,347,051	(122)
July 21, 2009	July 21, 1997	EMTN035	5.875	457,347,051	457,347,051	(76)
TOTAL PAYABLE IN EUROPE IN EUROS					1,859,031,898	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.78117					3,311,260,223	(27)
GLOBAL MARKET PAYABLE IN NEW ZEALAND DOLLARS						
Dec. 3, 2008	Dec. 3, 1998	MF	6.25	250,000,000	250,000,000	
TOTAL PAYABLE IN NEW ZEALAND DOLLARS					250,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.82770					206,925,000	(69)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PAYABLE IN EUROPE IN NORWEGIAN KRONER						
Dec. 29, 2004	Sept. 12, 1996	EMTN022	7.00	300,000,000	300,000,000	
TOTAL PAYABLE IN EUROPE IN NORWEGIAN KRONER					300,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $0.21235					63,704,048	(61)
PAYABLE IN EUROPE IN POUNDS STERLING						
July 30, 2002	July 30, 1992	HD	9.375	200,000,000	200,000,000	
June 10, 2004	June 10, 1998	EMTN039	6.375	200,000,000	200,000,000	
TOTAL PAYABLE IN EUROPE IN POUNDS STERLING					400,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $2.30675					922,700,000	(12)
PAYABLE IN EUROPE IN SWISS FRANCS						
Jan. 27, 2003	Jan. 27, 1993	HF	6.25	400,000,000	400,000,000	
July 7, 2003	July 7, 1998	EMTN041	2.50	250,000,000	250,000,000	
TOTAL PAYABLE IN EUROPE IN SWISS FRANCS					650,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.055083					685,804,139	(13)
TOTAL DEBENTURES AND BONDS					76,502,021,073	
TREASURY BILLS					2,118,000,000	(84)
U.S. COMMERCIAL PAPER (in U.S. Dollars)					517,001,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.56509					809,151,713	(91)

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
Other Debt Issued by Government Organizations						
PAYABLE IN THE UNITED STATES IN U.S. DOLLARS						
July 1, 2006	Mar. 31, 1994	Collateralized financing	7.261 to 7.395	311,866,966	315,438,097	
TOTAL PAYABLE IN THE UNITED STATES IN U.S. DOLLARS					315,438,097	
CANADIAN DOLLAR EQUIVALENT EXCHANGE RATE OF $1.41685					446,929,119	
TOTAL PUBLICLY HELD DEBT ISSUED					**79,876,101,905**	
TOTAL DEBT ISSUED FOR PROVINCIAL PURPOSES					**107,575,726,955**	(83)
Debt Issued for Ontario Electricity Financial Corporation (OEFC)*						
PAYABLE IN CANADA IN CANADIAN DOLLARS						
NON-PUBLIC DEBT						
Canada Pension Plan Investment Fund						
2007	1986	CPP	9.64	119,000,000	119,000,000	
2008	1988	CPP	9.13 to 9.72	388,715,000	388,715,000	
2009	1989	CPP	9.62 to 10.31	589,319,000	589,319,000	
2010	1990	CPP	9.61 to 10.31	650,712,000	650,712,000	
2021	2001	CPP	6.08	19,375,000	19,375,000	
2022	2002	CPP	6.26 to 6.29	114,000,000	114,000,000	
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS					1,881,121,000	(5)

* This debt is offset by Bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.

TABLE II Schedule of Outstanding Debt Issued by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate (%)	Original Issue ($)	Outstanding ($)	Reference
PAYABLE IN CANADA IN CANADIAN DOLLARS						
PUBLICLY HELD DEBT						
Nov. 1, 2002	May 9, 2000	HC-NH	6.239	116,995,000	47,743,828	(17)(98)
June 2, 2004	Dec. 9, 1998	HC-MG	4.875	2,500,000,000	3,000,000,000	(119)
Mar. 8, 2006	Mar. 8, 2001	CDB-NLA	5.90	500,000,000	500,000,000	
Dec.1, 2008	Jan. 22, 1999	HC-LZ	5.70	650,0000,000	650,0000,000	
Nov. 19, 2009	July 26, 2000	HC-MU	6.20	500,000,000	500,000,000	
Nov. 19, 2010	Sept. 1, 2000	HC-NK	6.10	500,000,000	500,000,000	
Mar. 15, 2011	Mar. 15, 2001	DMTN3	5.50	50,000,000	50,000,000	(37)
Dec. 2, 2011	July 20, 2001	DMTN8	6.10	500,000,000	500,000,000	
June 2, 2027	Feb. 4, 2000	HC-KJA	7.60	25,500,000	25,500,000	
Aug. 25, 2028	April 6, 1999	HC-LQA	6.25	78,600,000	78,600,000	
June 2, 2031	Feb. 24, 2000	HC-NF	6.20	500,000,000	500,000,000	(51)
					6,351,843,828	
PAYABLE IN EUROPE IN CANADIAN DOLLARS						
Nov. 27, 2003	June 17, 1999	HC-ME	5.00	350,000,000	350,000,000	
Feb. 28, 2005	Feb. 28, 2001	EMTN-48	5.25	250,000,000	250,000,000	
					600,000,000	
GLOBAL MARKET PAYABLE IN U.S. DOLLARS						
Oct. 1, 2008	Mar. 19, 2001	GLB-MBB	5.5	250,000,000	250,000,000	
TOTAL PAYABLE IN U.S. DOLLARS					250,000,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.550					387,500,000	(93)
TREASURY BILLS					2,990,000,000	
US COMMERCIAL PAPER (in U.S. Dollars)					474,000,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF $1.5935					755,319,000	
TOTAL DEBT ISSUED FOR ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC)					**12,965,783,828** *	

* In addition, the Province has advanced to OEFC an overnight loan of $247,713,500.

References:

1. Non-callable.
2. Liability to Canada Mortgage and Housing Corporation assumed by the Ministry of Finance upon the dissolution of Ontario Land Corporation.
3. Bonds are extendible at the option of the Province every six months starting July 20, 2003, to the final maturity date of July 20, 2006. Coupon interest is paid monthly at a rate of 5.35% in years 1-2, 5.90% in year 3, 6.50% in year 4, and 7.00% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.99%.
4. Interest payable is six-month Yen LIBOR.
5. Securities sold to the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice, when the Minister deems it necessary in order to meet the requirements of the Canada Pension Plan. In the case of redemption before maturity, the Ontario Securities are to be redeemed in the order in which they were issued and the amount of Ontario Securities to be redeemed at any time shall be proportionate to the amount of all securities then held to the credit of the said fund represented by Ontario Securities.
6. The par value of bonds outstanding exceeds the original par value of bonds issued due to conversions from compound interest form bonds into annual interest form bonds.
7. The terms of these debentures require that equal payments be made each year until their maturity. Each payment consists of blended principal and interest.
8. Interest payable is three-month Canadian BA.
9. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.36625. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.64%.
10. The Province entered into currency exchange agreements that effectively converted the U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.5885. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a floating rate Canadian dollar 3-month BA rate minus 0.07%.
11. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.5260. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.85% .
12. The Province entered into currency exchange agreements that effectively converted these Pounds Sterling obligations to Canadian Dollar obligations at an exchange rate of 2.30675. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.80%.
13. The Province entered into currency exchange agreements that effectively converted these Swiss Franc obligations to Canadian Dollar obligations at an exchange rate of 1.055083. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.75% on $437 million and floating Canadian BA rate plus 0.004% on $283 million and floating Canadian BA rate minus 0.025% on $249 million.
14. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01254. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.12% on $1,586 million, and floating Canadian BA rate minus 0.051% on $220 million.
15. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01270. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.77%.
16. Bonds are extendible at the option of the Province on six months starting October 30, 2003, to the final maturity date of October 30, 2011. Coupon interest is paid monthly at a rate of 4.75% in year 1, 5.0% in year 2, 5.25% in year 3, 5.50% in year 4, 5.75% in year 5, 6% in year 6, 6.50% in year 7, 6.75% in year 8, 7% in year 9 and 7.25% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.12%.
17. During the 2001-02 fiscal year, the Province purchased for cancellation $69.1 million of the HC-NH bonds.
18. During the 2001-02 fiscal year, the Province purchased for cancellation $38.5 million of the KR Series bonds.
19. Retractable in whole or in part on February 8, 2007, at the holder's option, provided that the notice of retraction is made during the period from July 15, 2006 to January 15, 2007 inclusive. Such election is irrevocable.
20. Retractable in whole or in part on March 1, 2010, at the holder's option, provided that the notice of retraction is made during the period from March 1, 1995 to February 12, 2010 inclusive. Such election is irrevocable.
21. Exchangeable at any time, in whole or in part, at the holder's option, for an equivalent principal amount of Series JG 9.50% bonds due January 12, 2035.
22. Bonds are extendible at the option of the Province on every coupon date starting on August 21, 2003, to the final maturity date of August 21, 2006. Coupon interest is paid semi-annually at a rate of 5.20% in years 1-2, 5.50% in year 3, 6.00% in year 4, and 6.70% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.63%.
23. The terms of these debentures require that the principal be repaid in 12 equal monthly payments in the year preceding the date of maturity.
24. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals. On January 10, 2035, the principal to be repaid on each debenture will be $2.3 million.

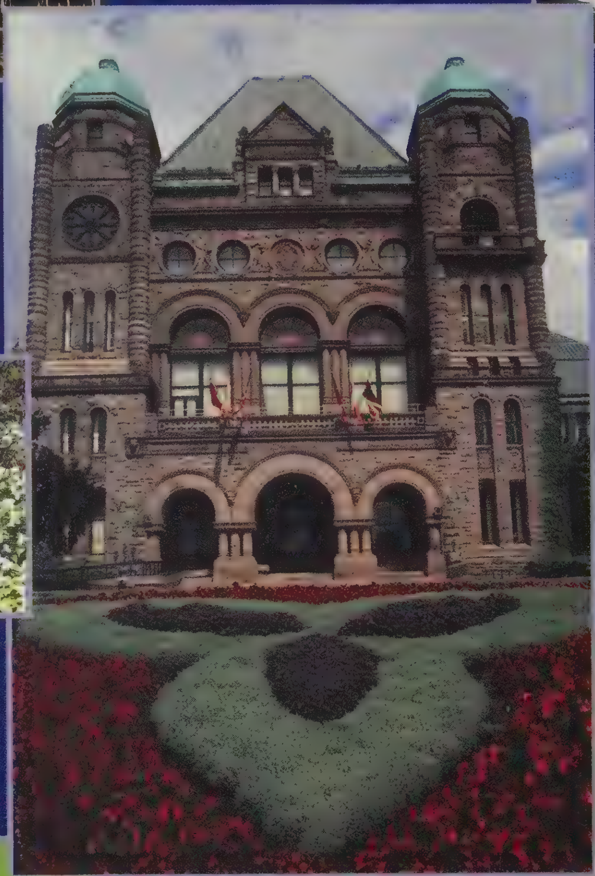
25. Bonds are extendible at the option of the Province on every coupon date starting on July 27, 2001, to the final maturity date of July 27, 2009. Coupon interest is paid semi-annually at a rate of 5.75% in years 1-2, 5.90% in years 3-4, 6.00% in years 5-6, 6.15% in years 7-8, 6.25% in year 9, and 6.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.125%.
26. Bonds are extendible at the option of the Province on every coupon date, starting on September 5, 2003, to the final maturity date of September 5, 2006. Coupon interest is paid semi-annually at a rate of 5.00% in years 1-2, 5.25% in year 3, 5.75% in year 4, and 6.40% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.39%.
27. The Province entered into currency exchange agreements that effectively converted these Euro obligations to Canadian Dollar obligations at an exchange rate of 1.781175. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.99% on $3,265 million and floating Canadian BA rate minus 0.055% on $46 million.
28. The interest rate was set at 4.75% for the first year. The interest payable is 6.00% in the second year, 6.25% in the third year, 6.50% in the fourth year and 6.75% in the final year.
29. The 1995 series of Ontario Savings Bonds matured on March 1, 2000, the 1997 fixed series bonds matured on June 21, 2000, the 1996 Series bonds and the 1998 fixed Series bonds matured on June 21, 2001. The outstanding amounts at March 31, 2002 represent bonds not yet presented for redemption.
30. In every year for the period 1997-2001, the Province issued fixed rate OSBs each with terms of three years. Interest rates were set for the term of the bonds. The rate on the 1997 and 1998 Series bonds was set at 5.25%. The rate on the 1999 and 2001 Series bonds was 5.50%, and the rate on 2000 Series bonds was 6.50%.
31. During the 2001-02 fiscal year, Series EMTN45 was reopened once, bringing the total issue to $375 million.
32. Callable in full, and not in part, on September 4, 2003, at par. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 3.38%.
33. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 27.2 million at a rate of 6.00%.
34. The bonds are extendible at the option of the bondholder on or before November 10, 2004. Coupon interest is paid at 6.40% for the first five years. If extended to final maturity date of December 2, 2014, the coupon will step-up to 6.80%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate.
35. Interest payable is six-month U.S. LIBOR plus 0.0475%.
36. Bonds are extendible at the option of the Province on every coupon date starting September 11, 2003, to the final maturity date of September 11, 2006. Coupon interest is paid semi-annually at a rate of 4.75% in years 1-2, 5.10% in year 3, 5.55% in year 4, and 6.40% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 4.07%.
37. Retractable in whole or in part on March 15, 2005, at the holder's option provided that irrevocable notice of retraction is made on March 1, 2005. Coupon interest is paid at 5.50% for the first four years and 6.80% for the remaining six years on outstanding bonds.
38. The original debentures payable to OMERS were replaced effective December 31, 1995, with debentures payable to OMERS and to Colleges of Applied Arts and Technology Pension Plan, in the amounts of $741.6 million and $90.9 million, respectively. The terms and conditions remain the same as those of the original debentures.
39. Agricorp, a Government Organization, holds $15 million in Series LE, $10 million in Series JV and 6.2 million in Series KE. On consolidation under PSAB these amounts reduce the outstanding balance of each issue.
40. No interest is payable in the first five years, thereafter interest is payable monthly at an annual interest rate of 17.25%.
41. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals with the final payment on January 10, 2045. The total principal and interest to be paid over the life of the debenture is $1,325 million in total.
42. Bonds are extendible at the Option of the Province on every coupon date, starting on August 27, 2003, to the final maturity date of August 27, 2007. Coupon interest is paid semi-annually at a rate of 5.10% in years 1-2, 5.60% in year 3, 5.80% in year 4, 6.00% in year 5, and 7.00% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest on this debt to a fixed rate of 4.52%.
43. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.36613. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.86%.
44. Bond is callable on May 13, 2003 at the option of the Province. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.05%.
45. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.02%.
46. Interest is payable at floating Canadian BA rate plus 0.85% paid quarterly for the first two years, then 5.75% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.07%.
47. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars based on a notional principal of AUD 103.2 million at a rate of 3.2% payable annually. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.86%.
48. The interest rate was set at 5.75% for the first year. The minimum interest payable is 6.25% in the second year, 6.50% in the third year, 6.75% in the fourth year and 7.00% in the final year.

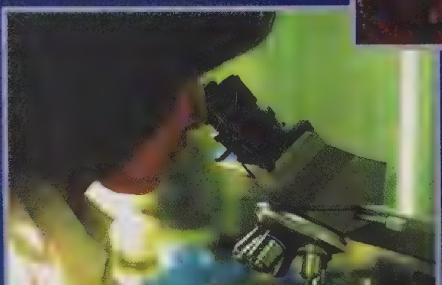
49. During the 2001-02 fiscal year, Series LE was reopened once, bringing the total issue size to $1,160 million.
50. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.63%.
51. This issue has been on-lent to OEFC until June 2, 2010, after which the issue will be assumed by the Province until the maturity date.
52. Bonds are extendible at the option of the Province on every year starting on September 17, 2003, to the final maturity date of September 17, 2008. Coupon interest is paid annually at a rate of 4.75% in years 1-2, 5.25% in year 3, 6.20% in year 4, 6.25% in year 5, 6.50% in year 6, and 6.75% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.79%.
53. During the 2001-02 fiscal year, the Province purchased for cancellation $164.28 million of the HC Series bonds.
54. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 52.5 million at a rate of 3.10%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.051%.
55. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in U.S. Dollars, based on a notional principal of USD 120.8 million at a rate of 3.25%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.051%.
56. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 6.00%. Effective December 21, 2001, the interest rate was set at 2.00%.
57. Proceeds of issue and repayment are in Japanese Yen. Interest is payable in Australian Dollars, based on a notional principal of AUD 121.1 million at a rate of 4.28%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.38%.
58. During the 2001-02 fiscal year, Series EMTN42 was reopened once, bringing the total issue to $350 million.
59. Bonds are extendible at the option of the Province on every coupon date starting on May 30, 2003, to the final maturity date of May 30, 2010. Coupon interest is paid semi-annually at a rate of 5.50% in year 1, 5.75% in year 2, 6.00% in year 3, 6.25% in year 4, 6.50% in year 5, 6.75% in year 6, 7.00% in year 7, 7.50% in year 8, and 8.00% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 5.04%.
60. During the 2001-02 fiscal year, Series DMTN8 was reopened once, bringing the total issue size to $1,000 million (including $500 million for OEFC purposes).
61. The Province entered into currency exchange agreements that effectively converted these Norwegian Kroner obligations to Canadian Dollar obligations at an exchange rate of 0.21235. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate minus 0.028%.
62. Current outstanding OSBs are redeemable at the option of the holder on June 21 and December 21 with the exception of fixed rate bonds, which are redeemable at maturity only. All current outstanding OSBs may be redeemed upon the death of the beneficial owner. The 1999, 2000 and 2001 series may also be redeemed during the 14 calendar days immediately following June 21 and December 21. The Minister of Finance may reset the interest rate from time to time prior to maturity.
63. The interest rate was set at 4.25% for the first year. The rate is 5% in the second year, 5.75% in the third year, 6.25% in the fourth year and 6.75% in the final year.
64. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 4.50%. Effective December 21, 2001, the interest rate was set at 2.00%.
65. Pursuant to the *Ontario Public Service Employees' Pension Act 1994* and the *Asset Transfer Agreement of December 12, 1994*, the Province is obligated to re-split the debentures between the Public Service Pension Fund ("PSP Fund") and the Ontario Public Service Employees' Union Pension Plan Trust Fund ("OPSEU Fund") based on accurate data when it is available. On June 13, 1997 a *Restated Sponsorship Amendment and Asset Transfer Agreement* was signed, replacing the 1994 agreement. Pursuant to this Agreement on September 17, 1997, the re-split of the debentures was completed. To effect this redistribution of assets, $3,745.8 million of debentures held by PSPF and $1,751.4 million of debentures held by OPSEU were retired and replaced by $3,726.8 million and $1,770.4 million of debentures to be held by PSPF and OPSEU respectively.
66. The interest rate was set at 3.00% for the first year. The interest payable is 5.25% in the second year, 6.00% in the third year, 6.50% in the fourth year, 7.00% in the fifth year, 7.50% in the sixth year and 8.00% in the final year.
67. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 3.25%. Effective December 21, 2001, the interest rate was set at 2.00%.
68. Bonds are extendible at the option of the Province on every coupon date starting on June 28, 2003, to the final maturity date of June 28, 2010. Coupon interest is paid semi-annually at a rate of 5.70% in years 1-2, 6.00% in years 3-4, 6.25% in year 5, 6.50% in year 6, 7.00% in year 7, 7.50% in year 8, and 8.00% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 4.82%.
69. The Province entered into currency exchange agreements that effectively converted these New Zealand Dollar obligations to Canadian Dollar obligations at an exchange rate of 0.82770. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.56%.
70. Bonds are extendible at the option of the Province on every coupon date starting on July 30, 2003, to the final maturity date of July 30, 2010. Coupon interest is paid semi-annually at a rate of 5.50% in year 1, 5.75% in year 2, 6.25% in years 3-4, 6.50% in years 5-6,7.00% in year 7, 7.25% in year 8, and 7.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 4.78%.

71. Notes are extendible at the option of the Province on September 4, 2000, 2003 and 2006 to the final maturity date of September 4, 2009. Coupon interest is paid semi-annually at a rate of 6.00% in years 1-3, 6.125% in years 4-6, 6.35% in years 7-9 and 7.625% in years 10-12. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate minus 0.22%.
72. Bonds are extendible at the option of the Province on June 4, 2004, to the final maturity date of June 4, 2007. Coupon interest is paid semi-annually at a rate of 4.20% in years 1-2, and 6.05% in the remaining three years. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 14 basis points.
73. Interest payable is three-month Canadian BA rate minus 0.05%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.23%.
74. During 2001-02, the bondholder of NN Series has the option to purchase an equal amount of the same issue at 101.739 plus accrued interest on February 20, 2002. This option was exercised, bringing the total issue size to $120 million. NN Series were exchanged for an equal amount of Series NK on March 13, 2002, bringing the total issue to $1,620 million.
75. During the 2001-02 fiscal year, Series KJ bonds were reopened once, bringing the total issue to $4,209.4 million.
76. The amount outstanding as at March 31, 2002, in legacy currency is French Franc 3,000,000,000. The French Franc is converted to Euro using conversion rate of 6.55957; in accordance with Council Regulation (EU) No. 2866/98.
77. During the 2001-02 fiscal year, Series MK bonds were reopened once, bringing the total issue to $300 million.
78. During the 2001-02 fiscal year, Series NE bonds were reopened five times, bringing the total issue to $553.7 million.
79. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars based on a notional principal of USD 86.3 million, at a rate of 3.58% payable annually. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.40%.
80. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars semi-annually based on notional principal of USD 57.1 million, at a rate of 2.6%. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.57%.
81. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 5.00%. Effective December 21, 2001, the interest rate was set at 2.00%.
82. During the 2001-02 fiscal year, the Province purchased for cancellation $6.6 million of the JA Series bonds.
83. Total Debt Issued for Provincial Purposes on a consolidated basis includes the long-term debt of the Toronto Area Transit Authority (GO Transit) for $447 million and the Ontario Housing Corporation for $2,214 million.
84. The Treasury Bill balance does not include the following Treasury Bill holdings: $265 million held by the Northern Ontario Heritage Fund Corporation, $91 million held by Ontario Trillium Foundation and $21 million held by Ontario Securities Commission, as these will be eliminated upon consolidation.
85. During the 2001-02 fiscal year, Series MB was reopened three times, bringing the total issue to US$2,000 million (including US$250 million for OEFC purposes).
86. During the 2001-02 fiscal year, Series KA was reopened once, bringing the total issue to US$2,050 million.
87. Bond is callable on April 1, 2003 at the Province of Ontario's option. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating Canadian BA rate minus 0.08%.
88. Bonds are extendible at the option of the Province on every coupon date starting December 12, 2003, to the final maturity date of December 12, 2006. Coupon interest is paid semi-annually at a rate of 4.00% in years 1-2, 4.75% in year 3, 5.90% in year 4, and 7.00% in the final year. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 11 basis points.
89. Bonds are extendible at the option of the Province on every coupon date starting November 29, 2003, to the final maturity date of November 29, 2011. Coupon interest is paid semi-annually at a rate of 4.50% in year 1, 4.75% in year 2, 5.00% in year 3, 5.50% in year 4, 6.00% in year 5, 6.25% in year 6, 6.50% in year 7, 6.75% in year 8, 7.00% in year 9, and 7.50% in the final year. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 8 basis points.
90. The terms of these debentures require that a special one-time interest payment of $31.1 million be made at maturity.
91. U.S. Commercial Paper issues are non-interest bearing with maturities up to 92 days.
92. The interest rate was set at 4.75% for the first year. The minimum interest payable is 5.00% in the second year, 6.00% in the third year, 6.25% in the fourth year and 6.50% in the final year.
93. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.55. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.51%.
94. Bonds are extendible at the option of the Province on every coupon date starting November 28, 2003 to the final maturity date of November 28, 2006. Coupon interest is paid semi-annually at a rate of 3.50% in years 1-2, and 5.25% in the remaining 3 years. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 9 basis points.
95. Bonds are extendible at the option of the Investors every year starting November 20, 2003 to the final maturity date of February 20, 2007. Coupon interest is paid quarterly at a rate of Canadian BA rate minus 0.05% in year 1, BA rate minus 0.01% in year 2, BA rate plus 0.03%.in year 3, BA rate plus 0.05% in year 4, and BA rate plus 0.07% for the remaining term.
96. During the 2001-02 fiscal year, the Province purchased for cancellation $13.6 million of the HZ Series bonds.
97. Legal Aid, a government organization, holds $10.15 million in Series MG, $4.75 million in Series HK, $2.89 million in Series LZ and $2.9 million in Series DMTN16. On consolidation under PSAB these amounts reduce the outstanding balance of each issue.
98. The terms of these debentures require unequal payments, consisting of principal and interest, to be paid quarterly until their maturity.

99. Bonds are extendible at the option of the Province on six months starting October 22, 2003, to the final maturity date of October 22, 2008. Coupon interest is paid monthly at a rate of 4.00% in years 1-2, 4.50% in year 3, 5.25% in year 4, 6.10% in year 5, 6.75% in year 6, and 7.5% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.46%.
100. Interest is paid quarterly at 3-month Canadian BA rate plus 0.05%.
101. Bonds are extendible at the option of the Province every six months starting October 5, 2003, to the final maturity date of October 5, 2011. Coupon interest is paid semi-annually at a rate of 4.70% in year 1, 5.00% in year 2, 5.25% in year 3, 5.50% in year 4, 5.75% in year 5, 6.00% in year 6, 6.25% in year 7, 6.50% in year 8, 7.00% in year 9, and 7.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.51%.
102. Interest is paid quarterly at 1-month Canadian BA rate plus 0.05%, compounded.
103. Bonds are extendible at the option of the Province every six months starting October 3, 2003, to the final maturity date of October 3, 2009. Coupon interest is paid semi-annually at a rate of 4.50% in years 1-2, 5.00% in year 3, 5.50% in year 4, 5.80% in year 5, 6.00% in year 6, 6.50% in year 7 , and 7.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.50%.
104. Bonds are extendible at the option of the Province every year starting September 28, 2003, to the final maturity date of September 28, 2011. Coupon interest is paid annually at a rate of 5.00% in years 1-2, 5.05% in years 3-4, 5.10% in year 5, 6.35% in year 6, 6.50% in year 7, 6.75% in year 8, and 7.00% in the final two years. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.57%.
105. Interest is paid quarterly at 3-month Canadian BA rate plus 0.03%.
106. During the 2001-02 fiscal year, Series MZ was reopened once, bringing the total issue size to $1,250 million.
107. During the 2001-02 fiscal year, Series NL was reopened once, bringing the total issue size to $1,000 million.
108. Bonds are extendible at the option of the Province every six months starting February 12, 2004, to the final maturity date of February 12, 2007. Coupon interest is paid semi-annually at a rate of 4.05% in years 1-2, 4.75% in year 3, 6.00% in year 4, and 7.25% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.31%.
109. On May 31, 2001, the Province purchased for cancellation $58.5 million of the LH Series.
110. Bonds are extendible at the option of the Province annually starting December 5, 2002, to the final maturity date of December 5, 2008. Coupon interest is paid quarterly at a rate of Canadian BA rate minus 0.05% in year 1, Canadian BA rate minus 0.01% in year 2, Canadian BA rate plus 0.03% in year 3, Canadian BA rate plus 0.05% in year 4, Canadian BA rate plus 0.07% in year 5, and Canadian BA rate plus 0.08% in the final 2 years.
111. Bonds are extendible at the option of the Province on June 18, 2004 to the final maturity date of June 18, 2007. Coupon interest is paid semi-annually at a rate of 4.20% in years 1-2, and 6.05% in the final 3 years, if extended. In addition, the Province entered into interest rate agreements that effectively locked in a gain of 13 basis points.
112. Bonds are extendible at the option of the Province on July 21, 2004. Coupon interest is paid semi-annually at a rate of 4.00% in years 1-2, and 6.00% in the final 3 years, if extended. In addition, the Province entered into interest rate agreements that effectively converted the interest rate obligation on this debt to a fixed rate of 3.38%.
113. Bonds are extendible at the option of the Province on every coupon date starting March 1, 2004, to the final maturity date of March 1, 2007. Coupon interest is paid semi-annually at a rate of 4.10% in years 1-2, 4.50% in year 3, 5.75% in year 4, and 7.25% in the final year. In addition, the Province has entered into interest rate agreements that effectively converted the interest obligations on this debt to floating 3-month Canadian BA rate minus 0.08%.
114. Bonds are extendible at the option of the Province on every coupon date starting March 4, 2004 to the final maturity date of March 4, 2010. Coupon interest is paid at 4.30% for year 1-2, 4.5% for year 3, 5.10% for year 4, 6.0% for year 5, 6.5% for year 6, 7.0% for year 7, 7.50% for the final year. In addition, the Province has entered into interest rate agreements that effectively converted the interest obligations on this debt to floating 3-month Canadian BA rate minus 0.08%.
115. Interest is paid quarterly at a rate of 3-month Canadian BA rate plus 0.275% up to the maximum 4.775% for the first year, 5.025% for the second year, and 5.775% for the third year. In addition, the Province has entered into interest rate agreements that effectively converted the interest obligation on this debt to floating 3-month Canadian BA rate minus 0.01%.
116. The issue is callable on June 1, 2005, at the option of the Province. Interest is paid quarterly at a rate of 3-month Canadian BA rate plus 0.59% in years 1-3, and semi-annually at a rate of 5.70% if not called. In the event that the bond is not called, the bond holder has the right to exchange this series for series LZ. In addition, the Province has entered into interest rate agreements that effectively converted the interest rate obligations on this debt to floating 3-month Canadian BA rate minus 0.03%.
117. Bonds are extendible at the option of the Province on every coupon date starting on March 18, 2004, to the final maturity date of March 18, 2009. Coupon interest is paid semi-annually at a rate of 4.5% in years 1-2, 4.75% in year 3, 5.5% in year 4, 6.25% in year 5, 6.5% in year 6, and 7% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligations on this debt to floating 3-month Canadian BA rate minus 0.09%.
118. Bonds are extendible at the option of the Province on every coupon date starting March 19, 2004, to the final maturity date of March 19, 2007. Coupon interest is paid semi-annually at a rate of 4.20% in years 1-2, 4.75% in year 3, 5.75% in year 4, and 7.1% in the final year. In addition, the Province has entered into interest rate agreements that effectively converted the interest rate obligations on this debt to floating 3-month Canadian BA rate minus 0.09%.
119. During the 2001-02 fiscal year, Series HC-MG were reopened twice, bringing the total issue to $3,000 million.
120. The amount outstanding as at March 31, 2002, in legacy currency is Deutsche Marks 1,439,150,000. The Deutsche Mark is converted to Euro using conversion rate of 1.95583; in accordance with Council Regulation (EU) No. 2866/98.

121. The amount outstanding as at March 31, 2002, in legacy currency is Netherlands Guilders 400,000,000. The Netherlands Guilders is converted to Euro using conversion rate of 2.20371; in accordance with Council Regulation (EU) No. 2866/98.
122. The amount outstanding as at March 31, 2002, in legacy currency is French Franc 3,000,000,000. The French Franc is converted to Euro using conversion rate of 6.55957; in accordance with Council Regulation (EU) No. 2866/98.





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